United States Court of Appeals

for the Second Circuit

SUPPLEMENTAL APPENDIX

ORIGINAL WITH PROOF OF SERVICE

75-7031

75-7055

UNITED STATES COURT OF APPEALS

for the

SECOND CIRCUIT

HOWARD BERSCH,

Plaintiff-Appellant
(in 75-7031)

Plaintiff-Appellee
(in 75-7055)

v.

DREXEL FIRESTONE, INC., DREXEL HARRIMAN RIPLEY, BANQUE ROTHSCHILD, HILL SAMUEL AND CO., LIMITED, GUINNESS MAHON & CO., LIMITED, PIERSON, HELDRING & PIERSON, SMITH BARNEY & CO., INCORPORATED, J. H. CRANG AND CO., INVESTORS OVERSEAS BANK LIMITED,

Defendants,

J. H. CRANG AND CO.,

Defendant-Appellee
(in 75-7031)

ARTHUR ANDERSEN & CO., I.O.S., LTD., AND BERNARD CORNFELD,

Defendants-Appellants
(in 75-7055)

FILED
FEB 14 1975
FOLEY, CLERK
CIRCUIT

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

PLAINTIFF-APPELLANT-APPELLEE'S APPENDIX

Submitted as Appendix in 75-7031 and as Supplemental Appendix in 75-7055

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JAN. 11, 1973

JHC HOLDINGS LIMITED

(formerly called J. H. CRANG & CO. LIMITED)

GROSS COMMISSIONS EARNED

7-A (amended)

WEEK OF:	GROSS COMM.	BOUGHT	SOLD
Sept. 8-12, 1969	$ 58,972.84	$ 132.94	$ -0-
Nov. 10-14, 1969	231,588.82	736.34	200.28
Jan. 12-16, 1970	75,126.33	500.21	68.56
Mar. 9-13, 1970	52,446.23	254.53	568.38
May 11-15, 1970	34,062.41	1,127.76	231.10
July 6-10, 1970	24,155.25	76.83	210.66
Sept. 7-11, 1970	41,725.40	530.20	345.94
Nov. 9-13, 1970	35,545.40	226.93	343.65
Jan. 11-15, 1971	51,321.74	130.88	125.62
Mar. 8-12, 1971	53,741.95	144.77	25.24
May 10-14, 1971	49,189.03	341.40	80.10
July 12-16, 1971	52,528.05	13.58	165.51
Sept. 13-17, 1971	45,564.46	50.40	158.83
Nov. 8-12, 1971	29,826.49	-0-	-0-
TOTALS		$4,266.77	$2,523.87
GRAND TOTAL	$835,794.40	$6,790.64	.08124%

JHC HOLDINGS LIMITED

F. V. McCANN-SECRETARY

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B

JHC HOLDINGS LIMITED

(formerly called J. H. CRANG & CO. LIMITED)

GROSS COMMISSIONS EARNED*

7-B (Substituted)

WEEK OF:	AMOUNT
Sept. 8-12, 1969	$ 998.95
Nov. 10-14, 1969	1,205.03
Jan. 12-16, 1970	672.00
Mar. 9-13, 1970	1,109.39
May 11-15, 1970	1,798.36
July 6-10, 1970	448.93
Sept. 7-11, 1970	93.60
Nov. 9-13, 1970	1,138.13
Jan. 11-15, 1971	-0-
Mar. 8-12, 1971	760.98
May 10-14, 1971	1,507.14
July 12-16, 1971	1,320.87
Sept. 13-17, 1971	113.20
Nov. 8-12, 1971	-0-
	$11,166.58

* Only from transactions for Crang clients which were passed on to United States brokers.

JHC HOLDINGS LIMITED

Fred V. McCann-Secretary

ONLY COPY AVAILABLE

17 PA

January 10, 1973

Sidney B. Silverman, Esq.
Silverman & Marnes
1 Rockefeller Plaza
New York, New York 10020

Re: Bersch v. Drexel Firestone, Inc.

Dear Sidney:

Enclosed herewith are two schedules prepared and signed by J.M. Crang & Co., Limited which were called for pursuant to our agreements as reflected in my letters to you of November 10, 1972 and November 27, 1972.

I have marked the first of these documents with a capital A in the left-hand corner. That document consists of a statement, based on a sample consisting of examination of the second week of every other month during the period of September 1, 1969 to December 7, 1971 listing in $(U.S.) amounts the commissions earned by Crang relating to business done by Crang for each such week and which concerns solely transactions performed on behalf of clients who were residents of the United States.

I have marked the second of these documents with a capital B in the left-hand corner. That document consists of a statement based on the same time periods as stated above relating to transactions it has placed on behalf of its customers with United States brokers for execution over an United States exchange. You should be informed that Crang will be prepared to testify that the figures contained in Schedule B, as marked, represent the gross commissions charged to its clients and that Crang was charged the full commission rate by the United States brokers to whom the transaction was given, and thereby earned no commission for such transaction.

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With the submission of these two documents to you it is my understanding that Craig's obligations pursuant to the agreements reflected in the November 10, 1972 and the November 27, 1972 letters have been fulfilled. If you believe that any items are left open, would you please inform me immediately.

Very truly yours,

Howard C. Buschman, III

HCB:ir
Enclosures

cc: Robert L. Laufer, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison

Henry L. King, Esq.
Davis, Polk & Wardwell

Thomas Grant, Esq.
Sullivan & Cromwell

18a1-PA
Excerpts from Deposition of Murray J Howe taken June 6, 1973

A Again, subject to us checking with the travel agent, I would think four times; four, five times.

Q To the best of your recollection, were those trips in response to IOS affairs?

A Oh, no. I never set up, or they never set up any meeting when to come to New York to discuss IOS, Ltd. We did discuss Trans-Global, or formerly ISM, in connection with my duties as a director.

Q Did ISM have an office in New York?

A No. These were always breakfast meetings.

Q Where?

A Mostly at the Carlyle. I think one was at the Regency; one might have been that hotel just outside the park, Pierre, is it?

Q Do you know whether IOS or any of its management people maintained suites in the year 1969 at the Carlyle or the Regency or the Pierre?

A No. Simply by hearsay, I heard Bernie Cornfeld had a suite, but that was merely hearsay.

Q Who told you that?

A I think Gil Bennett told me.

Q That is the attorney at Zimmerman & Winters?

A That's correct.

Q Do you know whether Mr. Cowett stayed at a

Q When you say "we," did anybody accompany you--

A We, Crang & Co., I am referring to the company.

Q (continuing)-- when you met Mr. Cowett?

A I was alone.

Q After the breakfast meeting, did you fly directly back to Canada?

A I don't think so. I think I would have, while I was in New York, I would have called on some of the firms who we do American business with through their subsidiaries in Toronto. I have done that on occasion. That would be the main reason for me coming to New York.

Q Who were those American companies?

A Laidlow. And at various times, and I don't even know if this was in 1969, I would call on other American dealers, Morgan Stanley, to get a general feel of the market while I was down, and pay a visit; maybe returning exactly what they would do if they were in Toronto.

Q Whom would you call at Morgan Stanley?

A I just don't recall the man's name. It was one of the partners in charge of their foreign department.

Q Whom would you call at Laidlow?

has been any such testimony.

A Again, I think what I did say, I said on occasion I come down the night before, and on occasion I come down in the morning. But I can't specifically remember when.

Q Did you generally call on Arthur Lipper & Company when you were down?

A What do you mean by generally? Every time I came down, did I call on Arthur Lipper? Or in 1969 every time I came down, did I call on Arthur Lipper? No, I didn't.

Q Sometimes did you call?

A Yes, I did.

Q On more than one occasion?

A Yes; I would say twice.

Q And whom would you see at Arthur Lipper?

A Arthur Lipper, or most of the time he was out of town; he was out of town once, and I talked to Nancy Stewart, his secretary.

Q Did you, Crang, in 1969, do business with Arthur Lipper?

A Crang & Company didn't do any of the American business with anybody in the United States. No, we didn't do business with Arthur Lipper.

through their subsidiaries or affiliates in Canada, could give Canadian dealers. So we were trying to drum up business through their Canadian subsidiaries.

Q Any other trips to New York that you can remember, other than what you have testified to, in the year 1969?

A To the best of my recollection, no.

Q What is the business of Grace Canadian Securities?

A Grace Canadian Securities was a--not in 1969, I don't think, prior to that, was a broker/dealer in New York.

Q And in 1969 what was its business?

A I think they were a broker/dealer for part of the year.

Q What was Irving Grace's business?

A He was a principal in Grace Canadian Securities.

Q Do you recall when you met with Mr. Grace in 1969, what month?

A February.

Q When you visited New York in 1969, did you ever stay in an IOS suite in the Carlyle or the Regency?

A No, I am sure I didn't. And I wasn't aware

18b-1 PA

Excerpt from Deposition of Bertram P. Coleman taken

Q Were there any beneficial effects as a result of the IOS offering upon Drexel's domestic operations?

A I don't think so.

Q What were the detrimental effects?

A Well, the detrimental effects were that when IOS got in serious difficulties and it was disclosed that the application proceeds of the issue had been used for purposes other than as stated in the prospectus, that I would think that Drexel's foreign securities business diminished.

Q In fact, did Drexel's foreign securities business diminish?

A Yes.

Q Did the IOS public offering have any effect upon other brokerage firms in the United States?

MR. BUSCHMAN: Objection as to form.

A I would have no knowledge of that.

Q Did the IOS public offering have any effect upon the participation by U.S. firms in foreign offerings?

MR. BUSCHMAN: Same objection.

A Again, I have no knowledge.

Q Did the IOS public offering have any effect upon the ability of American companies to market their securities abroad?

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Excerpts From Appendix I to Plaintiff's Memorandum of Law in Opposition to Defendants' Motions

EXCERPTS FROM DREXEL PROSPECTUS

BUSINESS

The sale and management of mutual funds provide the Company with its principal sources of revenue. The Company's growth, in large measure, has depended on and will continue to depend on the effectiveness of the sales organization which markets Company-managed mutual funds and related financial products through individual client contact. Sales personnel receive cash compensation on a commission basis only and, when certain levels of sales volume have been obtained, are entitled to purchase Preferred Shares under The IOS Stock Option Plan. The sales organization now includes more than 13,000 representatives.

The largest mutual funds managed by the Company—The Fund of Funds, Limited ("FOF"), IIT, an International Investment Trust ("IIT") and IOS Venture Fund (International) N.V. ("Venture Fund International")—are sold internationally outside the United States. In recent years, the Company has pioneered the development of national mutual funds, such as Fonditalia (Italy) and Investors Fonds (West Germany), designed to meet local investor needs within the framework of local laws and to take advantage of local investment opportunities.

In general, the Company has voting or management control of the mutual funds which it sells and manages, thereby assuring continuity of management and giving the Company the ability to revise management and other contractual arrangements between itself and the funds, subject in some instances to approval by governmental authority and, in some other instances, to approval by fund shareholders.

The Company's banking, real estate and insurance subsidiaries conduct some activities in their respective fields which are unrelated to mutual funds, but the services offered to the public by each of these subsidiaries are promoted principally through the Company's sales organization. In addition, the Company's banking and insurance subsidiaries derive a substantial part of their revenue through activities which directly support, or are directly supported by, the mutual fund activities of the Company.

The banking group offers customary European commercial banking services and, as is normally the case with banks, its revenues are principally generated by lending deposited funds. The banking group also conducts investment banking activities which have recently included the underwriting of Eurodollar securities. A finance company subsidiary derives revenues from loans to finance the purchase and carrying of client investments in Company-managed mutual funds, as do some of the subsidiary banks. Some members of the banking group derive a part of their revenues from the conversion of freely convertible currencies for the accounts of clients investing in Company-managed mutual funds and from normal soliciting dealer fees in various tender and exchange offers for securities held by such funds. Where permitted by law and relevant stock exchange regulations, members of the banking group participate in brokerage commissions from transactions by the mutual funds on securities exchanges outside the United States, but these participations are not presently material in relation to the revenues of the banking group.

Income from real estate activities has been principally earned in connection with sales of condominium apartments, in various stages of construction, located in Spain and Florida.

Revenues from life insurance and related operations consist primarily of premium income from Dover Plan equity linked life insurance policies (where premiums are principally allocated to a portfolio of mutual funds and other securities managed by the Company) and premium income on program completion insurance which is marketed by the Company's sales organization as part of ten or fifteen-year periodic investment programs in shares of mutual funds.

The activities of the Company's principal operational groups have significant interrelationships, which contribute substantially to the net income of the banking, real estate and insurance groups. The percentage contribution of each group

* * *

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MUTUAL FUND MANAGEMENT

The Company provides management services to its mutual funds in three ways:

(a) through subsidiaries of Investors Overseas Services Management Limited ("IOS Management"), an approximately 77%-owned subsidiary of the Company, the remaining shares of which are publicly held and listed on the Amsterdam, Luxembourg and Toronto Stock Exchanges, and traded in over-the-counter markets elsewhere in Europe[1];

(b) through management subsidiaries of the Company which IOS Management has the right to acquire in the future, as described below; and

(c) through other subsidiaries of the Company.

Under an agreement dated February 28, 1968 (the "Purchase Agreement"), IOS Management has the right, but is not required, to purchase from the Company all shares beneficially owned by the Company of any company managing any open-end mutual fund whose net assets are the equivalent of Cdn. $50,000,000 or more. This right may be exercised by IOS Management until February 28, 1978 and so long thereafter as the Service Agreement discussed below continues in force. The purchase price is payable by IOS Management in shares of its own capital stock. The number of such shares is determined on the basis of the then rate of per share earnings of IOS Management in such a way as to cause no dilution of such earnings.

Under a further agreement dated February 28, 1968 (the "Service Agreement"), IOS bears all expenses incurred by IOS Management and its subsidiaries other than taxes, fees paid to any registrar, transfer agent, trustee or custodian of securities of IOS Management and funds managed by its subsidiaries, and any costs incurred by IOS Management for printing and distributing any periodic reports sent to shareholders. IOS has also agreed to provide the office space, accounting and administrative staff, equipment and statistical facilities required by the operating subsidiaries of IOS Management. In return, IOS Management pays IOS an annual fee of Cdn. $1,500,000 which is subject to renegotiation whenever a new management subsidiary is acquired and is subject to a downward adjustment in the event that aggregate net assets of all mutual funds managed by IOS Management subsidiaries fall below Cdn. $600,000,000 or in the event that the net asset value of Regent Fund should drop below Cdn. $50,000,000. The aggregate net assets of such funds were Cdn. $1,694,494,000 as of June 30, 1969. The Service Agreement continues until February 28, 1978 and thereafter from year to year unless terminated by either party on at least six months notice.

IOS Management owns the respective management companies which manage the following: FOF, IIT, Venture Fund International, Fonditalia, I.O.S. Regent Fund Ltd. ("Regent Fund"), Investors Fonds and Investment Properties International, Limited ("IPI")[2].

IOS Management follows a policy of distributing substantially all of its net income in the form of cash dividends, and, in addition, has distributed a portion of its capital surplus.

As set forth in connection with the discussion of each fund, management fees charged directly to the funds range from 1/24th of 1% per month of average total net assets (1/2 of 1% per annum) in the case of Regent Fund to 10% of quarterly net income and realized and unrealized capital gains, subject to a minimum monthly fee of 1/12th of 1% of net assets (1% per annum), in the case of Venture Fund International. The Company also receives management fee income from certain proprietary funds for rendering investment advice to particular fund sub-accounts.

The mutual funds pay the normal charges directly related to their investment portfolios, principally brokerage commissions. A small portion of total brokerage commissions paid is received by bank subsidiaries of the Company as permitted by certain stock exchanges outside the United States. In addition, the funds pay the fees of their auditors, the costs of printing and distributing reports to shareholders, charges of transfer agents, registrars, trustees and custodians of portfolio securities, certain legal expenses and any taxes. The Company pays the remaining expenses of the funds which are principally administrative in nature and include office space, administrative and accounting staff, equipment and statistical facilities. In the case of funds managed by subsidiaries of IOS Management, IOS receives the fixed annual fee provided in the Service Agreement from IOS Management for these services.

Principles of Fund Management

The Company directly and indirectly manages the portfolios of the various mutual funds described below. This combination of direct and indirect portfolio management is intended to secure for the Company's managed mutual funds the broadest available spectrum of investment expertise.

Direct portfolio management is centered in the Company's Geneva-based Investment Management Division which presently consists of seven executives, six research analysts and supporting clerical and statistical personnel. At June 30, 1969 these people managed approximately 60% of the assets of Company-managed mutual funds.

Indirect portfolio management results from services rendered by approximately 30 sub-advisors, located in the United States, the Bahamas, the United Kingdom and Italy, who have been retained to render specific portfolio advice concerning selected portions of the investment portfolios of FOF, The Fund of Funds Sterling Limited ("FOF Sterling"), Fonditalia, Regent Fund, I.O.S. Venture Fund Ltd. ("Venture Fund"), Venture Fund International and the direct investment portion of The Equity Unit Account of The Dover Plan ("The Equity Unit Account"). Sub-advisors are compensated either on the basis of fees calculated as a fixed percentage of managed assets or on the basis of performance in respect of the

(1) At August 31, 1969, the 8,974,875 shares of IOS Management owned by the Company were carried on its books at $4,447,561, which represents approximate cost.

(2) The management of IPI was assumed on July 21, 1969. Since IPI, which was organized under the laws of the Province of Ontario, Canada, in February 1965, is a non-mutual fund company and, accordingly, total net assets, which are a basis for management fees, will not increase from continuous sales, the number of shares of capital stock issued by IOS Management to IOS was one-half the number provided for by the Purchase Agreement for the purchase of mutual fund management companies.

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managed assets, or both. Some sub-advisors receive brokerage commissions in connection with orders placed through them. The sub-advisors are selected by the Company's Investment Management Division, in certain cases on the basis of recommendations by outside consultants, and their services are subject to continuing evaluation. All sub-advisors are retained on contracts terminable on short notice by either party. Since January 1, 1969, five sub-advisors have been terminated and 11 sub-advisors have been added.

Since its 1967 settlement with the United States Securities and Exchange Commission ("SEC") (discussed under "Government Regulation"), the Company has been building its in-house portfolio management staff. In particular, the Company has increased its efforts to attract United States portfolio managers to Geneva and it hopes ultimately to develop a complete internal portfolio management capability.

Portfolio transactions of the managed funds are frequently effected at the suggestion of the Investment Management Division and the retained sub-advisors, at customary and usual commission rates, through recognized securities brokers and dealers who provide research or other assistance for the benefit of the managed funds. Other portfolio executions are directed solely on the basis of the quality of execution. Such brokers and dealers include a number of the underwriters in this offering.

Funds Managed by the Company

The table below presents certain historical information concerning the open-end mutual funds distributed and managed by the Company:

	December 31,					August 31,
	1964	1965	1966	1967	1968	1969
Total Net Assets of Mutual Funds under Management[1] (000)	$119,668	$339,000	$522,741	$868,329	$1,507,044	$1,821,754[2]
Fund (year organized or acquired)						
The Fund of Funds, Limited (1962)						
Total (000)	$111,318	$316,827	$426,239	$617,799	$ 797,203	$ 676,164
Per Share	14.20	18.06	17.41	24.13	26.93	21.74
IIT, an International Investment Trust (1962)						
Total (000)	$ 8,067	$ 17,773	$ 74,098	$185,505	$ 474,026	$ 623,195
Per Share	4.64	6.47	6.70	8.92	10.21	8.76
IOS Venture Fund (International) N.V. (1969)						
Total (000)	—	—	—	—	—	$ 137,198
Per Share	—	—	—	—	—	9.36
Fondital (1967)						
Total (000)	—	—	—	—	$ 57,031	$ 126,593
Per Share	—	—	—	—	11.21	11.50
The Equity Unit Account of The Dover Plan[3] (1963)						
Total (000)	$ 1,668	$ 8,973	$ 23,622	$ 48,250	$ 110,453	$ 114,842
Per Unit	14.20	17.40	16.81	22.91	32.27	24.74
I.O.S. Regent Fund Ltd. (1963)						
Total (000)	$ 283	$ 1,997	$ 7,320	$ 25,343	$ 62,780	$ 70,700
Per Share	6.47	7.61	7.21	9.73	11.47	9.81
Investors Fonds (1968)						
Total (000)	—	—	—	—	$ 13,539	$ 49,458
Per Share	—	—	—	—	5.78	5.94
The Fund of Funds Sterling Limited (1965)						
Total (000)	—	$ 2,403	$ 15,084	$ 27,316	$ 41,700	$ 36,044[4]
Per Share	—	2.40	2.31	3.75	5.60	4.30
I.O.S. Venture Fund Ltd. (1968)						
Total (000)	—	—	—	—	—	$ 29,225
Per Share	—	—	—	—	—	4.22
I.V.M. Invest N.V. ("IVM") (1969)						
Total (000)	—	—	—	—	—	$ 1,271
Per Share	—	—	—	—	—	3.07
Svenska Internationella Investmentfonden ("Interfond")[5] (1969)						
Total (000)	—	—	—	—	—	$ 874
Per Share	—	—	—	—	—	9.13
Rothschild-Expansion[6] (1969)						

(1) Total net assets under management are less than the sum of the net assets of the separate funds listed because a portion of the net assets of The Equity Unit Account and IVM are invested in other Company-managed funds.

(2) Includes approximately $130,000,000 of securities and other investments which are not readily marketable.

(3) The Equity Unit Account is not a mutual fund, but consists of assets under the management of the Company. At August 31, 1969, approximately 27% of these assets were invested in FOF Sterling and approximately 4% in FOF and Venture Fund International.

(4) Total assets include $31,314,000 held by the Company for The Equity Unit Account.

(5) Agreements have been concluded between Investment Planering AB and the Company pursuant to which the Company will provide investment advice, sales support and technical assistance in the management, administration and sale of Interfond.

(6) An agreement for technical cooperation was concluded in June 1969 between Banque Rothschild and the Company for the administration, sales and portfolio management (with respect to United States securities) of Rothschild-Expansion, a French mutual fund-like organization established in July 1969.

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The Company's sales organization also distributes shares of unaffiliated United States mutual funds, but these funds are no longer actively sponsored by the Company and sales of such shares do not contribute materially to commission income.

The open-end funds managed by the Company follow an investment policy of seeking capital appreciation. For this reason the funds declare no dividends except in the case of Investors Fonds where dividends are declared and reinvested.

The investment policies of Company-managed funds prohibit the funds from investing in securities of IOS or IOS Management.

The funds are audited semi-annually by independent public accountants, except for Regent Fund and Venture Fund which are audited annually. Investors holding fund shares directly or through The IOS Investment Program are sent such audited financial statements annually or semi-annually and unaudited reports for the other fiscal quarters of the funds' operations.

The Fund of Funds, Limited

FOF, an open-end mutual fund, was incorporated on August 9, 1962 under the laws of the Province of Ontario, Canada. FOF is designed to provide long-term growth of capital. Separate portfolios of securities are managed by sub-advisors most of whom are largely compensated on the basis of their comparative performances. The Fund's assets are principally invested in securities of United States and Canadian companies. Pursuant to an agreement effective January 1, 1968, FOF Management Company Limited ("FOF Management"), a wholly-owned subsidiary of IOS Management, manages FOF for 1/24th of 1% per month (1/2 of 1% per annum) of the monthly average net assets of the Fund. The agreement will expire unless annually renewed by a resolution passed by a majority of the votes cast at a meeting of the holders of the outstanding voting shares of the Fund. IOS Management is the holder of 65%, and IOS is the holder of 35%, of the voting shares of FOF.

FOF is sold under The IOS Investment Program, but is no longer actively promoted in The Federal Republic of Germany ("Germany"). See "Government Regulation". FOF is not sold in Italy or Canada. In the United Kingdom, FOF is only sold through securities dealers.

The following table sets forth certain statistical information concerning FOF for the last two years and for the six months ended June 30, 1969:

	End of Period			During Period				
Year ended	Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[1]	Face amount of investment programs sold[1]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [3]	Cash redemptions	Net cash to fund
12/31/67	$24.13	$617,799,000	$741,572,000	$382,209,000	$157,878,000	$159,742,000	$132,951,000	$26,791,000
12/31/68	26.93	797,203,000	809,212,000	323,602,000	125,465,000	207,751,000	113,099,000	94,652,000
Six months ended								
6/30/69	21.82	676,102,000	797,730,000[4]	120,380,000	71,398,000	95,505,000	60,548,000	34,957,000

(1) Includes CAPS and CAPINS but excludes letters of intent.

(2) Represents original program amounts and excludes fluctuations in program values.

(3) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.

(4) At June 30, 1969, $296,066,000, representing 28.8% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. An account is considered behind schedule: (a) when the first 12 months' payments have not been completed, if the client has not made a payment for three months and is more than three months behind in his scheduled payments and (b) when the first 12 months' or more payments have been completed, if the client has not made a payment for six months and is more than six months behind in his scheduled payments.

At June 30, 1969 approximately 89% of the net assets of FOF was invested in F.O.F. Proprietary Funds Ltd. ("FOF Prop"), its wholly-owned investment company subsidiary, 5% in United States mutual funds and the remainder in cash or its equivalent. FOF Prop is a non-resident Canadian corporation formed on October 16, 1962 and presently consists of 20 proprietary fund accounts. At June 30, 1969, the total net assets in such accounts were $599,520,000. Approximately 1% was invested in commodities and commodity contracts, 2% in real estate (now represented by shares of IPI) and 5% in natural resources. The Company receives a fee of 1% of each investment by FOF in FOF Prop. The Company also acts as portfolio advisor for each account. Pursuant to separate investment advisory agreements with FOF Prop, the Company is entitled to receive investment advisory fees on a calendar quarter basis equal to (i) 10% of the net realized and unrealized securities gains on the investments maintained in the particular proprietary fund account, plus (ii) 10% of the interest, dividends, and other income (excluding income generated from stock loan transactions) earned in respect of said account, less (iii) 10% of the expenses (other than taxes in the case of one account) attributable to the operation of said account. In the event that there is a net realized and unrealized securities loss for such account, such loss is carried forward for the next seven calendar quarters and no advisory fees on securities gains are paid until the loss carried forward has been offset by subsequent securities gains. At present loss carry forwards exist.

The Company has appointed sub-advisors to render investment advice for 14 of the 20 proprietary fund accounts. Out of the Company's fees, the sub-advisors receive a yearly performance fee on the basis of outperforming FOF or, in some cases, the New York Stock Exchange Composite Common Stock Index. In certain cases, they also receive minimum fixed fees based on average net value of managed assets or specified cash amounts. Subject to minimum fee arrangements, the fees received by the sub-advisors generally cannot exceed 50% of the fees received by the Company from FOF Prop in respect of the particular accounts the sub-advisors respectively advise.

The following table shows the gross advisory fees paid by FOF Prop to the Company, the amount paid by the Company to the sub-advisors and the net amount retained by the Company for 1968 and the first six months of 1969.

	Year ended December 31, 1968	Six months ended June 30, 1969
Gross fees paid to the Company	$8,431,000	$864,000
Fees paid to the sub-advisors and other expenses	3,554,000	635,000
Net fees retained by the Company	4,877,000	229,000

In addition, beginning in 1967, FOF Prop developed a procedure whereby its portfolio securities were made available for loan to member firms of recognized stock exchanges. This service permits such firms to cover deliveries for customers who have sold securities but have not presented them for delivery by the settlement date and to lend securities to customers making short sales. Each loan was collateralized by a deposit of cash equal to the market value of the securities loaned at the time of the loan, adjusted from time to time to conform to market changes. Gross interest income amounting to $2,847,000 was earned through December 31, 1968 by FOF Prop from short-term investment of the cash collateral. FOF Prop paid the Company $645,000 for advice and recommendations in connection with stock loan activities. By agreement dated January 1, 1969, FOF Prop made its portfolio securities available to Financial Institutions Management N.V. ("FIM"), a wholly-owned subsidiary of the Company, so that FIM might conduct a stock loan business for its own account on the same basis as previously conducted. As compensation for the above, FIM has agreed to pay FOF Prop a yearly fee equal to the greater of (i) 4.05% per annum of the average outstanding value of FOF Prop securities loaned by FIM, computed on a beginning and end of month basis, or (ii) 54% of the prime interest rate in effect at The Bank of New York in New York City on the average outstanding value of securities loaned by FIM, computed on a beginning and end of month basis. For the six month period ended June 30, 1969, FIM earned $1,458,000 in net interest income from lending FOF Prop securities, of which a net amount of $860,000 was accrued for fees payable to FOF Prop.

IIT, an International Investment Trust

IIT is an open-end mutual fund, organized in December 1960 as a unit investment trust under the laws of Luxembourg, which came under the Company's management in 1962. The portfolio of IIT is diversified among securities of companies operating in various countries. Management has freedom to switch investment emphasis from country to country in order to benefit from growth opportunities in particular countries. The Fund's assets are principally invested in securities of companies in the United States, Japan, Holland and the United Kingdom. I.I.T. Management Company S.A. ("IIT Management"), a wholly-owned subsidiary of IOS Management, manages IIT for a fee equal to 1/12th of 1% per month (1% per annum) of IIT's net assets. The relationship between IIT Management and IIT is specified in regulations, promulgated pursuant to the laws of Luxembourg, which provide that any amendments must be proposed by IIT Management.

In the United Kingdom, IIT is sold only through securities dealers. Elsewhere, IIT is sold under The IOS Investment Program. It is not sold in Italy or Canada.

The following table sets forth certain statistical information concerning IIT for the last two years and for the six months ended June 30, 1969:

	End of Period			During Period				
Year ended	Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[1]	Face amount of investment programs sold [1]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [3]	Cash redemptions	Net cash to fund
12/31/67	$ 8.92	$185,505,000	$286,079,000	$299,476,000	$25,698,000	$ 98,815,000	$21,724,000	$ 77,091,000
12/31/68	10.21	474,026,000	680,414,000	695,641,000	39,656,000	277,831,000	36,633,000	241,198,000
Six months ended								
6/30/69	8.99	593,091,000	981,876,000[4]	568,966,000	35,575,000	221,055,000	31,388,000	189,667,000

(1) Includes CAPS and CAPINS but excludes letters of intent.
(2) Represents original program amounts and excludes fluctuations in program values.
(3) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.
(4) At June 30, 1969, $113,376,000, representing 11.5% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. See note (4) to the FOF statistical table for the definition of "behind schedule".

IOS Venture Fund (International) N.V.

Venture Fund International is an open-end mutual fund organized in the Netherlands Antilles in February 1969. Venture Fund International follows a policy of concentrating investments in securities of a limited number of industries and of a limited number of firms within industries. Its management is prepared to take more than ordinary risks where such risks appear reasonable in an attempt to achieve more than ordinary capital appreciation. The Fund's assets are principally invested in securities of companies in the United States.

Venture Management Company Limited ("Venture Management"), a wholly-owned subsidiary of IOS Management, manages Venture Fund International under an agreement dated March 4, 1969 for a fixed fee equal to 1/12th of 1% per month (1% per annum) of the net assets of the Fund and a quarterly incentive fee equal to the amount, if any, by which 10% of all

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Investment Banking

Investors Bank Luxembourg, S.A. ("Investors Bank") was organized under Luxembourg law in March 1963 and is fully qualified as a bank under Luxembourg law. Although it does engage in commercial banking activities to a limited extent, its principal activities are the public underwriting and private placement of Eurodollar securities issues[1]. The participation of Investors Bank in underwritings is frequently preceded by a determination of the Company's Investment Management Division that particular securities available in underwritings are desired for portfolios of Company-managed funds. Company-managed funds have been the principal customers of Investors Bank in its underwriting activities. Net income of Investors Bank for the year ended December 31, 1968 was $66,000 and for the six months ended June 30, 1969 was $58,000. At that date the bank's net worth was $440,000.

Investors Overseas Bank Limited was organized under Bahamian law in November 1968 and is licensed as a private bank under Bahamian law. In accordance with the terms of its license, IOB engages in a variety of investment banking activities. During the first six months of 1969, IOB has participated (usually with Investors Bank as co-underwriter) in various Eurodollar securities underwritings (commissions of $261,000); acted as investment banker in arranging a number of private placements primarily purchased by Company-managed mutual funds (fees of $200,000); received soliciting dealer fees in tender and exchange offers accepted by Company-managed funds (fees of $959,000); and, as an approved registered overseas representative of a member firm of The Stock Exchange, London, shared in customary brokerage commissions arising from transactions of certain Company-managed mutual funds on The Stock Exchange, London ($89,000). Net income of IOB for the six months ended June 30, 1969 was $1,672,000 and its net worth at June 30, 1969 was $2,172,000.

Other Financial Activities

Financial Institutions Management N.V. arranges stock loan transactions involving securities made available to it by FOF Prop. See "Business—The Fund of Funds, Limited". Net income of FIM for the six months ended June 30, 1969 was $598,000.

IOS Acceptance Company Limited ("Acceptance") is engaged in the business of making collateralized loans to Company clients to enable them to purchase and carry investments in Company-managed mutual funds. These collateralized loans, in the aggregate amount of $31,519,000 as of June 30, 1969, are rediscounted, with recourse, with ODB and unaffiliated banks (including Banque Rothschild) on a revolving credit basis. This service is performed by Acceptance largely as an accommodation for Company clients. For the first six months of 1969, Acceptance operated at a loss.

REAL ESTATE

All of the real estate and related activities of the Company are conducted by subsidiaries of IOS Real Estate Holdings Limited ("Real Estate Holdings"), a wholly-owned subsidiary of IOS, organized under English law in March 1969. Net income for the six months ended June 30, 1969 was $777,000, compared with $870,000 for the comparable period in 1968.

Promotion and Sales

The Company's promotional and sales operations in the real estate area are conducted through Investors Development Corporation Limited ("Indevco"), organized under Bahamian law in February 1964, which is engaged in the location, creation, advertising, promotion, development and sales of real estate projects. Indevco has ten trained real estate specialists, who work in close association with the Company's sales organization in selling the real estate products offered by the Company. To date, these products have been in the form of condominium apartments, houses and parcels of land which have been sold through the Company's sales force almost entirely outside of the United States, primarily to non-United States persons, and have been marketed to non-United States persons principally as investments.

Sales and commission income from the sale of condominium apartments at Playamar in Torremolinos, Spain, and The Hemispheres in Hallandale, Florida, and interest income constitute Indevco's principal sources of revenue.

Playamar is located on the Costa del Sol and when completed will consist of 21 fifteen-story buildings, containing a total of 973 apartments, two clubs, swimming pools and related facilities. Indevco started selling the apartments in 1966 and has exercised substantial control in overall project development. At June 30, 1969, nine of the 21 buildings had been completed; 315 of the 973 apartments were occupied or available for occupancy and 840 out of 877 apartments available for sale had been sold by Indevco. The apartments ranged in price from $20,600 to $47,100.

The Hemispheres is located in Hallandale, Florida (between Miami Beach and Hollywood) and when completed will consist of 1,295 condominium apartments located in three 23-story buildings and one 19-story building, with a beach club, marina and other attendant facilities. At June 30, 1969, the four buildings were in the process of construction, and 1,024

(1) Among the offerings managed by Investors Bank were a $30,000,000 public issue and a $10,000,000 private placement of Eurodollar obligations guaranteed by Commonwealth United Corporation ("Commonwealth"). These offerings occurred in the first quarter of 1969. As a result of subsequent events, Commonwealth found itself in an illiquid position in early August 1969. The Company caused IPI to make a fully secured $4,500,000 short term loan to Commonwealth at a 14% per annum interest rate. At the same time, six persons designated by the Company were retained by Commonwealth on a temporary basis to assist it in reorganizing its finances and in securing new management personnel. The Company believes Commonwealth to have assets worth substantially in excess of its obligations. The Company has no intention of establishing or maintaining control of Commonwealth or of acquiring any of its assets.

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apartments had been sold by Indevco. The apartments range in price from $15,400 to $77,000 and are scheduled for occupancy in the spring of 1970.

To date, Indevco has been able to sell apartments successfully in the projects it has marketed prior to their completion and in some cases at very early stages of construction. For this reason, and because of the relatively long construction period in Spain during which sales could be concentrated, cash received from customers was sufficient to cover construction costs at Playamar without outside financing. An analogous situation is developing with The Hemispheres, but it is anticipated that some financing will be received from IPI, the parent company of the developer of The Hemispheres, due to the shorter construction period in the United States.

In both of these projects, the Company conceived and created the product marketed. The cost of the location of sites, and advertising, rental, marketing and promotional expenses are borne by Indevco out of its sales and commission income.

Indevco realized net income of 12.9% of sale price of the units sold in the Playamar project. A similar margin is budgeted for The Hemispheres.

In addition, Indevco processes purchase applications and acts as collection agent for the developer. The several methods of payment made available to the clients are:

(a) Full cash payment at time of order, which entitles the purchaser to a discount;
(b) Three-payment plan: 1/3rd payable at time of order, the other 2/3rds at two equal intervals during construction; and
(c) Systematic payment plan: a down payment at time of order with the balance amortized over a specified number of years, presently at 8½% interest to Indevco, not exceeding seven years in Spain and ten years in Florida.

Of total sales of The Hemispheres apartments to June 30, 1969, 3.3% of the apartments were paid for in cash, 43% under the three-payment plan and 53.7% under the ten-year payment plan; in the Playamar project, 12.2% of total sales were for cash, 62.9% under the three-payment plan and 24.9% under the seven-year payment plan.

Indevco does not have any equity interest in any of the projects that it has marketed. Indevco's real estate marketing activities have been undertaken in conjunction with the ownership investment activities of IPI (whose initial real property investments were formerly held by the Real Estate Growth Fund account of FOF Prop). IPI owns a minority interest in the developer of Playamar, and the entire equity interest in the developer of The Hemispheres. It is anticipated that this relationship will continue, although the interest of IPI in future developments may be as a joint venturer with other investors. Presently, projects for condominium apartments for the retired in Hamburg and Munich are in preparation as well as another condominium project in Florida.

Management and Resale

Since the apartments are sold principally as investments to absentee owners, subsidiaries of Real Estate Holdings offer to manage the apartments for the owners for a fee equal to 10% of the rent received.

In Spain, Property Management S.A. and Property Management Limited have contracted with nearly all apartment holders to provide resale, rental and maintenance services for the apartments at Playamar. To facilitate the provision of these services, Real Estate Holdings has entered into a management agreement with a major European property management organization. Indevco Management Corporation, N.V. makes similar facilities available in Florida. Indevco will also act as agent for the owner in case of resale at a commission of 10% of the gross resale price. The Company presently anticipates that its future projects outside the United States will be managed by independent management organizations.

Engineering and Construction

Real Estate Holdings has recently established a wholly-owned subsidiary, IOS Engineering and Construction Company Limited, to supervise, under contract with the owner, the construction of the various real estate products marketed by Indevco, or owned and constructed by IPI or its affiliates. Currently, the new subsidiary is supervising the construction of an office building in Kenya, on behalf of The Equity Unit Account, and providing advisory services on the construction at Playamar, The Hemispheres and the apartments for the retired in Germany.

Investment Properties International, Limited

On June 20, 1969, the Company marketed IPI, its first investment company product which was not a vehicle for investment in marketable securities. IPI received $100,000,000 in net proceeds. Of this offering, approximately 84% was distributed through the Company's sales organization, 6% was sold through a banking group headed by IOB and Investors Bank, and the remaining 10% represented the consideration (in shares of IPI) received by the Real Estate Growth Fund account of FOF Prop for the sale of the real property previously held by it. Each share entitled the holder thereof to a stock purchase warrant, which may be exercised from January 2, 1971 through December 31, 1974. If fully exercised, the warrants will result in additional equity to IPI, ranging from $108,108,000 to $156,757,000, depending on the date of exercise. IPI contemplates financing acquisitions or improvements of real estate in part through borrowings, primarily conventional real estate mortgages. IPI is an Ontario (Canada) corporation which at July 31, 1969, had 8% of its assets invested in various properties located

in the United States, 3% in properties outside the United States, and the remaining 89% in cash and short term money market obligations. IPI intends to invest a substantial portion of its assets in the acquisition and construction of deluxe hotels throughout the free world. To facilitate these plans, the Company is working with a major United States hotel organization. It is planned that IPI will provide construction capital and that the hotel organization will manage the completed hotels.

IPI is managed by IPI Management Company Limited ("IPI Management"), a wholly-owned subsidiary of IOS Management. For managing IPI, IPI Management will receive a fixed fee equal to 1/24th of 1% per month (1/2 of 1% per annum) of the net amount of invested capital plus proceeds from debentures, if any, of IPI and an incentive fee paid semi-annually equal to the total of 10% per annum of (i) all net realized gains on the sale of capital assets other than securities, (ii) all net realized and unrealized securities gains, (iii) all net interest and dividend income and (iv) the tax-free cash flow to IPI available for distribution to shareholders by reason of operation of real properties or mortgage refinancings. No incentive fee will be paid with respect to net realized or unrealized securities or capital gains during any semi-annual period until all previous net realized and unrealized securities or capital losses have been fully offset. The incentive portion is paid to Real Estate Holdings in lieu of IOS receiving an increase in the service fee paid to it by IOS Management under the Service Agreement discussed above. See "Mutual Fund Management". Neither IPI Management nor any of its affiliates will charge any real estate brokerage fees to IPI, and IPI Management will use its best efforts to keep to an absolute minimum real estate brokerage fees which might otherwise be payable by IPI to third persons in connection with the acquisition or disposition of properties. However, to the extent that the price paid by IPI or proceeds received by IPI may not be adversely affected, IPI Management or its affiliates may share in usual and customary real estate brokerage fees paid by persons selling properties to or acquiring properties from IPI.

INSURANCE

IOS Insurance Holdings Ltd. ("Insurance Holdings"), organized under Canadian Law in November 1956, is a 78%-owned subsidiary of IOS and conducts through its subsidiaries all life insurance and reinsurance activities of the Company. Net income from insurance operations for the six month period ended June 30, 1969 was $1,062,000, as compared to $822,000 for the comparable period in 1968.

The insurance operations of the Company are principally conducted through two subsidiaries:

The International Life Insurance Company (U.K.) Limited ("ILI-UK"), and

The International Life Insurance Company, S.A. ("ILI-LUX").

ILI-UK's principal business is issuing The Dover Equity Plan Policy. The Dover Plan is a ten-year life insurance policy under which the amount payable is partially dependent on the value of a portfolio of equity investments managed by the Company and called The Equity Unit Account. The investment portion of the premiums is allocated to The Equity Unit Account as indicated under "Business—The Equity Unit Account of The Dover Plan". Equity linked annuities and pension plans are also offered. In addition, ILI-UK offers whole life, group life and endowment life insurance policies, but the premium income from such policies has not contributed materially to ILI-UK's net income.

ILI-UK issues The Dover Plan and its other policies principally to residents of the United Kingdom although sales are actively promoted in other countries in the sterling area where permitted by local law. Sales are made through the Company's sales organization.

The premium for a Dover Plan Policy varies according to the age of the insured, the method of payment and other factors. The portion allocated to The Equity Unit Account is fixed and the balance represents charges to cover sales commissions, administrative charges and reserves. The acquisition charges on allocations to The Equity Unit Account of Dover Plan Policies vary from 8.98% of total premiums for a $1,200 policy to ½% for a $960,000 policy.

As in the case of The IOS Investment Program, it is in the policy holder's interest to continue payment of his premiums since a substantial portion of premiums in the first year constitutes sales commissions and administrative charges. These are substantially reduced as a percentage of premiums in subsequent years. The following table assumes a man 37 years old and is illustrative:

	1st Year	2nd Year	3rd-10th Years
Investment in The Equity Unit Account	45.3%	81.2%	84.7%
Amount allocated to reserves for life cover	8.9	8.9	8.9
Sales commissions and administrative charges	45.8	9.9	6.4
	100.0%	100.0%	100.0%

After the first annual premium has been paid and unless the policy holder has otherwise requested, any renewal premium which remains unpaid for 31 days from its due date is automatically paid by applying an equal cash value from the Equity Units allocated to his policy. As a result a policy does not lapse while there is a sufficient equity unit value to cover any overdue premium.

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While regulatory restrictions vary widely from country to country, the above described types of regulations are those which represent the most substantial limitations on the flexibility of operations of the Company's mutual fund business. The operations and earnings of the Company may be affected from time to time by the limitations imposed by present and future regulatory restrictions.

Since the mutual funds managed by the Company are not distributed in the United States, they are not subject to United States regulations governing mutual funds which sell their shares in that country, except to the extent provided in the Order of the United States Securities and Exchange Commission (the "Order") referred to below.

Insurance

The operation of an insurance company and the distribution of insurance policies are highly regulated activities. All of the Company's operating insurance subsidiaries are subject to varied regulation by appropriate governmental authorities in the jurisdiction of organization. The distribution of insurance policies is also affected in the countries where sold by the availability, under local exchange control regulations, of currency convertible into the currency of the policy as issued to pay the premium, and by restrictions or licensing requirements on the sale of insurance policies by foreign companies.

ILI-UK is itself a resident of the sterling area and can therefore receive premium payments not only from residents of the United Kingdom, but also from residents of other sterling area countries which do not impose restrictions on sterling movements within the sterling area. In addition, ILI-UK accepts premium payments from some countries in the sterling area which impose such restrictions and in these cases the premiums are invested locally. ILI-UK is also qualified to issue life policies in certain other countries of the sterling area which permit such policies to be issued by companies qualified in the United Kingdom.

ILI-LUX can generally accept premium payments for CAPINS free of exchange control in any country where The IOS Investment Program can be offered against direct payment in a freely convertible currency. In some countries, the Company utilizes its sales force to distribute CAPINS programs with coverage provided by local issuers or term policies of local issuers under arrangements by which all or part of the risk (or other equivalent risks) is reinsured with one of the Company's insurance subsidiaries. Germany is a significant country where such arrangements are in force.

To overcome the restrictions imposed on the distribution of policies of foreign insurance companies, the Company has recently begun the organization and development of local life insurance companies. IVM Insurance, a fully licensed Dutch insurance company, was organized in 1968 as the first of these. This is a program analogous to national fund development in the mutual fund operations of the Company and is expected to continue at an accelerated rate in the future.

Banking

Like insurance, banking is a regulated industry. All of the Company's bank subsidiaries are subject to the supervision and regulation of the relevant governmental agencies in the country of organization or where branch offices are maintained. Various licensing and similar restrictions impose limitations on the geographical scope or, in some cases, the substantive character, of the banking business which may be conducted by the Company's subsidiary banks.

ODB may conduct any business of a banking character at its offices in Switzerland and its branch in Luxembourg. The London branch of ODB is entitled to carry on a full banking business, except that under current restrictions it is limited in the purposes for which it may make loans to private customers.

Orbis is fully licensed to conduct business as a bank in Germany. Probanca is not restricted as to the character of the banking business it may conduct, but its activities are limited in geographical scope to the regions of Italy where existing agencies are located. Investors Bank is licensed to conduct any banking business in Luxembourg.

IOB is licensed under Bahamian law only to conduct investment banking activities. The Company does not intend to attempt to expand the scope of that license or the activities of IOB. Overseas Development Bank (Bahamas) Limited and Overseas Development Bank (Sterling) Limited have recently begun operations under a preliminary license which restricts them from conducting a banking business with the general public. As the personnel and other facilities of those banks are increased, the Company believes that full banking licenses will be obtained.

United States Securities Business

In May 1965, the SEC instituted a private investigation of the affairs and activities of the Company. In the following months the SEC requested, and the Company supplied, extensive documents and exhibits, setting forth detailed information

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concerning the affairs and activities of the Company. However, in the course of its private investigation, the SEC demanded that the Company provide to the SEC a full listing of investors in FOF and IIT, together with a detailing of their individual accounts. The Company refused to comply with such demands, contending that the SEC lacked jurisdiction as to the sales of securities occurring wholly outside the United States and contending further that the Company was precluded from giving such information by applicable laws requiring that such information be kept in the strictest confidence, as well as by the custom of most countries wherein the Company had sold such securities.

In December 1965, the Company brought suit against the SEC in the United States District Court for the District of Puerto Rico, alleging a lack of jurisdiction on the part of the SEC and seeking a Declaratory Judgment that the Company be permitted to withdraw from registration as a broker-dealer under the United States Securities Exchange Act of 1934. (Such registration had been effected by the Company "under protest" in 1960.) In addition, a preliminary injunction was sought against any continuation of the SEC's private investigation until a final determination of the issues was made by the Court.

In February 1966, the SEC issued an order for public hearings. In such order allegations were made concerning violations of provisions of the United States Securities Exchange Act of 1934 and the Investment Company Act of 1940 by the Company and six associated individuals. The public hearings called for a presentation of evidence concerning such alleged violations and a determination as to whether a revocation of the Company's broker-dealer registration was "in the public interest". The preliminary injunction requested by the Company against the SEC was denied by the Federal District Court and an appeal from such denial was filed with the United States Court of Appeals for the First Circuit. While such appeal was pending, before any trial of the issues involved in the suit by the Company against the SEC and before any public hearings were held pursuant to the SEC order, and after months of protracted negotiations and discussions between the Company's representatives and the staff of the SEC, the Company submitted an Offer of Settlement to the SEC and on May 23, 1967 the SEC issued the Order accepting the Company's Offer of Settlement.

The Order contained no findings of fact or findings of violations of law. Pursuant to the Order: (a) the Company was permitted to withdraw its registration as a broker-dealer; (b) the Company agreed that it would not engage thereafter in the offer or sale of securities to United States citizens or residents, wherever located, with the exception of officers, directors and persons associated with the Company on a full time basis; (c) the Company disposed of its entire interest in IPC, a United States mutual fund management and sales company, on a basis acceptable to the SEC; (d) the Company agreed to refrain from future activities falling within the jurisdiction of the SEC; (e) the Company agreed to cause the future investments of FOF in

Supplement to Prospectus

On September 23, 1969 the United States Securities and Exchange Commission ("SEC") issued a series of orders attempting to hold a number of management companies and brokerage firms liable for channeling brokerage commissions back to mutual fund managements, including an order directing that a public hearing be held before an examiner of the SEC involving proceedings against IOS, Bernard Cornfeld, Edward M. Cowett, Investors Planning Corporation ("IPC") and two officers of IPC, one of whom, Robert Sutner, is also a director of IOS. The order alleges various violations of laws administered by the SEC based primarily on the alleged improper retention by IPC of "give-ups" in respect of brokerage commissions paid by four mutual funds (only one of which was required to be registered with the SEC) in connection with their portfolio transactions. A wholly owned subsidiary of IPC acted as investment advisor of the mutual funds. It is alleged that disclosure of such give-ups was not made to the shareholders of the funds. The total amount of the give-ups so retained by IPC and not paid to the funds involved was approximately $1,600,000. In the opinion of Messrs. Willkie Farr & Gallagher, counsel to IOS, no violations of then existing law were involved and this proceeding, even if lost, will not result in any material adverse financial consequences to IOS and its subsidiaries.

Exchange), consented to the issuance of a court order enjoining sales of unregistered shares in the United States.

TAXATION

The statements made under this heading with respect to the liabilities of the Company for income taxes and dividend withholding taxes are based on the opinions of counsel to the Company as follows: as to the laws of Canada, Zimmerman Winters, Worley, Grant, Hugo, Paddon & Bennett, Toronto, Canada; as to the laws of the United States, Willkie Farr & Gallagher, New York, New York, United States; as to the laws of the United Kingdom, Freshfields, London, England; as to the laws of France, Bernard Gorny, Paris, France; as to the laws of Luxembourg, Dupong et Konsbruck, Luxembourg; as to the laws of Switzerland, Poncet & Turrettini, Geneva, Switzerland; as to the laws of Germany, Dr. Klaus Köcke, Düsseldorf, Germany; as to the laws of Italy, Studio Chiomenti, Rome, Italy; and as to the laws of Spain, José Armero Alcantara, Madrid, Spain.

Due to careful tax planning and the nature of their businesses, since inception IOS and its subsidiaries have paid taxes at a relatively low overall rate. As indicated below certain companies pay no taxes or comparatively low taxes while other

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Excerpts From 10B Prospectus

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BUSINESS

The sale and management of mutual funds provide the Company with its principal sources of revenue. The Company's growth, in large measure, has depended on and will continue to depend on the effectiveness of the sales organization which markets Company-managed mutual funds and related financial products through individual client contact. Sales personnel receive cash compensation on a commission basis only and, when certain levels of sales volume have been obtained, are entitled to purchase Preferred Shares under The IOS Stock Option Plan. The sales organization now includes more than 13,000 representatives.

The largest mutual funds managed by the Company—The Fund of Funds, Limited ("FOF"), IIT, an International Investment Trust ("IIT") and IOS Venture Fund (International) N.V. ("Venture Fund International")—are sold internationally outside the United States. In recent years, the Company has pioneered the development of national mutual funds, such as Fonditalia (Italy) and Investors Fonds (West Germany), designed to meet local investor needs within the framework of local laws and to take advantage of local investment opportunities.

In general, the Company has voting or management control of the mutual funds which it sells and manages, thereby assuring continuity of management and giving the Company the ability to revise management and other contractual arrangements between itself and the funds, subject in some instances to approval by governmental authority and, in some other instances, to approval by fund shareholders.

The Company's banking, real estate and insurance subsidiaries conduct some activities in their respective fields which are unrelated to mutual funds, but the services offered to the public by each of these subsidiaries are promoted principally through the Company's sales organization. In addition, the Company's banking and insurance subsidiaries derive a substantial part of their revenue through activities which directly support, or are directly supported by, the mutual fund activities of the Company.

The banking group offers customary European commercial banking services and, as is normally the case with banks, its revenues are principally generated by lending deposited funds. The banking group also conducts investment banking activities which have recently included the underwriting of Eurodollar securities. A finance company subsidiary derives revenues from loans to finance the purchase and carrying of client investments in Company-managed mutual funds, as do some of the subsidiary banks. Some members of the banking group derive a part of their revenues from the conversion of freely convertible currencies for the accounts of clients investing in Company-managed mutual funds and from normal soliciting dealer fees in various tender and exchange offers for securities held by such funds. Where permitted by law and relevant stock exchange regulations, members of the banking group participate in brokerage commissions from transactions by the mutual funds on securities exchanges outside the United States, but these participations are not presently material in relation to the revenue of the banking group.

Income from real estate activities has been principally earned in connection with sales of condominium apartments, in various stages of construction, located in Spain and Florida.

Revenues from life insurance and related operations consist primarily of premium income from Dover Plan equity linked life insurance policies (where premiums are principally allocated to a portfolio of mutual funds and other securities managed by the Company) and premium income on program completion insurance which is marketed by the Company's sales organization as part of ten or fifteen-year periodic investment programs in shares of mutual funds.

The activities of the Company's principal operational groups have significant interrelationships, which contribute substantially to the net income of the banking, real estate and insurance groups. The percentage contribution of each group

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MUTUAL FUND MANAGEMENT

The Company provides management services to its mutual funds in three ways:

(a) through subsidiaries of Investors Overseas Services Management Limited ("IOS Management"), an approximately 77%-owned subsidiary of the Company, the remaining shares of which are publicly held and listed on the Amsterdam, Luxembourg and Toronto Stock Exchanges, and traded in over-the-counter markets elsewhere in Europe[1];

(b) through management subsidiaries of the Company which IOS Management has the right to acquire in the future, as described below; and

(c) through other subsidiaries of the Company.

Under an agreement dated February 28, 1968 (the "Purchase Agreement"), IOS Management has the right, but is not required, to purchase from the Company all shares beneficially owned by the Company of any company managing any open-end mutual fund whose net assets are the equivalent of Cdn. $50,000,000 or more. This right may be exercised by IOS Management until February 28, 1978 and so long thereafter as the Service Agreement discussed below continues in force. The purchase price is payable by IOS Management in shares of its own capital stock. The number of such shares is determined on the basis of the then rate of per share earnings of IOS Management in such a way as to cause no dilution of such earnings.

Under a further agreement dated February 28, 1968 (the "Service Agreement"), IOS bears all expenses incurred by IOS Management and its subsidiaries other than taxes, fees paid to any registrar, transfer agent, trustee or custodian of securities of IOS Management and funds managed by its subsidiaries, and any costs incurred by IOS Management for printing and distributing any periodic reports sent to shareholders. IOS has also agreed to provide the office space, accounting and administrative staff, equipment and statistical facilities required by the operating subsidiaries of IOS Management. In return, IOS Management pays IOS an annual fee of Cdn. $1,500,000 which is subject to renegotiation whenever a new management subsidiary is acquired and is subject to a downward adjustment in the event that aggregate net assets of all mutual funds managed by IOS Management subsidiaries fall below Cdn. $600,000,000 or in the event that the net asset value of Regent Fund should drop below Cdn. $50,000,000. The aggregate net assets of such funds were Cdn. $1,694,494,000 as of June 30, 1969. The Service Agreement continues until February 28, 1978 and thereafter from year to year unless terminated by either party on at least six months notice.

IOS Management owns the respective management companies which manage the following: FOF, IIT, Venture Fund International, Fonditalia, I.O.S. Regent Fund Ltd. ("Regent Fund"), Investors Fonds and Investment Properties International, Limited ("IPI")[2].

IOS Management follows a policy of distributing substantially all of its net income in the form of cash dividends, and, in addition, has distributed a portion of its capital surplus.

As set forth in connection with the discussion of each fund, management fees charged directly to the funds range from 1/24th of 1% per month of average total net assets (1/2 of 1% per annum) in the case of Regent Fund to 10% of quarterly net income and realized and unrealized capital gains, subject to a minimum monthly fee of 1/12th of 1% of net assets (1% per annum), in the case of Venture Fund International. The Company also receives management fee income from certain proprietary funds for rendering investment advice to particular fund sub-accounts.

The mutual funds pay the normal charges directly related to their investment portfolios, principally brokerage commissions. A small portion of total brokerage commissions paid is received by bank subsidiaries of the Company as permitted by certain stock exchanges outside the United States. In addition, the funds pay the fees of their auditors, the costs of printing and distributing reports to shareholders, charges of transfer agents, registrars, trustees and custodians of portfolio securities, certain legal expenses and any taxes. The Company pays the remaining expenses of the funds which are principally administrative in nature and include office space, administrative and accounting staff, equipment and statistical facilities. In the case of funds managed by subsidiaries of IOS Management, IOS receives the fixed annual fee provided in the Service Agreement from IOS Management for these services.

Principles of Fund Management

The Company directly and indirectly manages the portfolios of the various mutual funds described below. This combination of direct and indirect portfolio management is intended to secure for the Company's managed mutual funds the broadest available spectrum of investment expertise.

Direct portfolio management is centered in the Company's Geneva-based Investment Management Division which presently consists of seven executives, six research analysts and supporting clerical and statistical personnel. At June 30, 1969 these people managed approximately 60% of the assets of Company-managed mutual funds.

Indirect portfolio management results from services rendered by approximately 30 sub-advisors, located in the United States, the Bahamas, the United Kingdom and Italy, who have been retained to render specific portfolio advice concerning selected portions of the investment portfolios of FOF, The Fund of Funds Sterling Limited ("FOF Sterling"), Fonditalia, Regent Fund, I.O.S. Venture Fund Ltd. ("Venture Fund"), Venture Fund International and the direct investment portion of The Equity Unit Account of The Dover Plan ("The Equity Unit Account"). Sub-advisors are compensated either on the basis of fees calculated as a fixed percentage of managed assets or on the basis of performance in respect of the

(1) At August 31, 1969, the 8,974,875 shares of IOS Management owned by the Company were carried on its books at $4,447,561, which represents approximate cost.

(2) The management of IPI was assumed on July 21, 1969. Since IPI, which was organized under the laws of the Province of Ontario, Canada, in February 1965, is a non-mutual fund company and, accordingly, total net assets, which are a basis for management fees, will not increase from continuous sales, the number of shares of capital stock issued by IOS Management to IOS was one-half the number provided for by the Purchase Agreement for the purchase of mutual fund management companies.

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managed assets, or both. Some sub-advisors receive brokerage commissions in connection with orders placed through them. The sub-advisors are selected by the Company's Investment Management Division, in certain cases on the basis of recommendations by outside consultants, and their services are subject to continuing evaluation. All sub-advisors are retained on contracts terminable on short notice by either party. Since January 1, 1969, five sub-advisors have been terminated and 11 sub-advisors have been added.

Since its 1967 settlement with the United States Securities and Exchange Commission ("SEC") (discussed under "Government Regulation"), the Company has been building its in-house portfolio management staff. In particular, the Company has increased its efforts to attract United States portfolio managers to Geneva and it hopes ultimately to develop a complete internal portfolio management capability.

Portfolio transactions of the managed funds are frequently effected at the suggestion of the Investment Management Division and the retained sub-advisors, at customary and usual commission rates, through recognized securities brokers and dealers who provide research or other assistance for the benefit of the managed funds. Other portfolio executions are directed solely on the basis of the quality of execution. Such brokers and dealers include a number of the underwriters in this offering.

Funds Managed by the Company

The table below presents certain historical information concerning the open-end mutual funds distributed and managed by the Company:

	December 31,					August 31,
	1964	1965	1966	1967	1968	1969
Total Net Assets of Mutual Funds under Management[1] (000)	$119,668	$339,000	$522,741	$868,329	$1,507,044	$1,821,754[2]
Fund (year organized or acquired)						
The Fund of Funds, Limited (1962)						
Total (000)	$111,318	$316,827	$426,239	$617,799	$ 797,203	$ 676,164
Per Share	14.20	13.06	17.41	24.13	26.93	21.74
IIT, an International Investment Trust (1962)						
Total (000)	$ 8,067	$ 17,773	$ 74,098	$185,505	$ 474,026	$ 623,195
Per Share	4.64	6.47	6.70	8.92	10.21	8.76
IOS Venture Fund (International) N.V. (1969)						
Total (000)	—	—	—	—	—	$ 137,198
Per Share	—	—	—	—	—	9.36
Fonditalia (1967)						
Total (000)	—	—	—	—	$ 57,031	$ 126,593
Per Share	—	—	—	—	11.21	11.50
The Equity Unit Account of The Dover Plan[3] (1963)						
Total (000)	$ 1,668	$ 8,973	$ 23,622	$ 48,250	$ 110,453	$ 114,842
Per Unit	14.20	17.40	16.81	22.91	32.27	24.74
I.O.S. Regent Fund Ltd. (1963)						
Total (000)	$ 283	$ 1,997	$ 7,320	$ 25,343	$ 62,780	$ 70,700
Per Share	6.47	7.61	7.21	9.73	11.47	9.81
Investors Fonds (1968)						
Total (000)	—	—	—	—	$ 13,539	$ 49,458
Per Share	—	—	—	—	5.78	5.94
The Fund of Funds Sterling Limited (1965)						
Total (000)	—	$ 2,403	$ 15,084	$ 27,316	$ 41,700	$ 36,044[4]
Per Share	—	2.40	2.31	3.75	5.60	4.30
I.O.S. Venture Fund Ltd. (1968)						
Total (000)	—	—	—	—	—	$ 29,225
Per Share	—	—	—	—	—	4.22
I.V.M. Invest N.V. ("IVM") (1969)						
Total (000)	—	—	—	—	—	$ 1,271
Per Share	—	—	—	—	—	3.07
Svenska Internationella Investmentfonden ("Interfond")[5] (1969)						
Total (000)	—	—	—	—	—	$ 874
Per Share	—	—	—	—	—	9.13
Rothschild-Expansion[6] (1969)						

(1) Total net assets under management are less than the sum of the net assets of the separate funds listed because a portion of the net assets of The Equity Unit Account and IVM are invested in other Company-managed funds.

(2) Includes approximately $130,000,000 of securities and other investments which are not readily marketable.

(3) The Equity Unit Account is not a mutual fund, but consists of assets under the management of the Company. At August 31, 1969 approximately 27% of these assets were invested in FOF Sterling and approximately 4% in FOF and Venture Fund International.

(4) Total assets include $61,314,000 held by the Company for The Equity Unit Account.

(5) Agreements have been concluded between Investment Planering AB and the Company pursuant to which the Company will provide investment advice, sales support and technical assistance in the management, administration and sale of Interfond.

(6) An agreement for technical cooperation was concluded in June 1969 between Banque Rothschild and the Company for the administration, sales and portfolio management (with respect to United States securities) of Rothschild-Expansion, a French mutual fund-like organization established in July 1969.

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The Company's sales organization also distributes shares of unaffiliated United States mutual funds, but these funds are no longer actively sponsored by the Company and sales of such shares do not contribute materially to commission income.

The open-end funds managed by the Company follow an investment policy of seeking capital appreciation. For this reason the funds declare no dividends except in the case of Investors Funds where dividends are declared and reinvested.

The investment policies of Company-managed funds prohibit the funds from investing in securities of IOS or IOS Management.

The funds are audited semi-annually by independent public accountants, except for Regent Fund and Venture Fund which are audited annually. Investors holding fund shares directly or through The IOS Investment Program are sent such audited financial statements annually or semi-annually and unaudited reports for the other fiscal quarters of the funds' operations.

The Fund of Funds, Limited

FOF, an open-end mutual fund, was incorporated on August 9, 1962 under the laws of the Province of Ontario, Canada. FOF is designed to provide long-term growth of capital. Separate portfolios of securities are managed by sub-advisors most of whom are largely compensated on the basis of their comparative performances. The Fund's assets are principally invested in securities of United States and Canadian companies. Pursuant to an agreement effective January 1, 1968, FOF Management Company Limited ("FOF Management"), a wholly-owned subsidiary of IOS Management, manages FOF for 1/24th of 1% per month (1/2 of 1% per annum) of the monthly average net assets of the Fund. The agreement will expire unless annually renewed by a resolution passed by a majority of the votes cast at a meeting of the holders of the outstanding voting shares of the Fund. IOS Management is the holder of 65%, and IOS is the holder of 35%, of the voting shares of FOF.

FOF is sold under The IOS Investment Program, but is no longer actively promoted in The Federal Republic of Germany ("Germany"). See "Government Regulation". FOF is not sold in Italy or Canada. In the United Kingdom, FOF is only sold through securities dealers.

The following table sets forth certain statistical information concerning FOF for the last two years and for the six months ended June 30, 1969:

	End of Period			During Period				
Year ended	Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[1]	Face amount of investment programs sold[1]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [1,3]	Cash redemptions	Net cash to fund
12/31/67	$24.13	$617,799,000	$741,572,000	$382,209,000	$157,879,000	$159,742,000	$132,951,000	$26,791,000
12/31/68	26.93	797,203,000	809,212,000	323,602,000	125,465,000	207,751,000	113,099,000	94,652,000
Six months ended								
6/30/69	21.82	676,102,000	797,730,000[4]	120,380,000	71,393,000	95,505,000	60,548,000	34,957,000

(1) Includes CAPS and CAPINS but excludes letters of intent.

(2) Represents original program amounts and excludes fluctuations in program values.

(3) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.

(4) At June 30, 1969, $296,066,000, representing 28.8% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. An account is considered behind schedule: (a) when the first 12 months' payments have not been completed, if the client has not made a payment for three months and is more than three months behind in his scheduled payments and (b) when the first 12 months' or more payments have been completed, if the client has not made a payment for six months and is more than six months behind in his scheduled payments.

At June 30, 1969 approximately 89% of the net assets of FOF was invested in F.O.F. Proprietary Funds Ltd. ("FOF Prop"), its wholly-owned investment company subsidiary, 5% in United States mutual funds and the remainder in cash or its equivalent. FOF Prop is a non-resident Canadian corporation formed on October 16, 1962 and presently consists of 20 proprietary fund accounts. At June 30, 1969, the total net assets in such accounts were $599,620,000. Approximately 1% was invested in commodities and commodity contracts, 2% in real estate (now represented by shares of IPI) and 5% in natural resources. The Company receives a fee of 1% of each investment by FOF in FOF Prop. The Company also acts as portfolio advisor for each account. Pursuant to separate investment advisory agreements with FOF Prop, the Company is entitled to receive investment advisory fees on a calendar quarter basis equal to (i) 10% of the net realized and unrealized securities gains on the investments maintained in the particular proprietary fund account, plus (ii) 10% of the interest, dividends, and other income (excluding income generated from stock loan transactions) earned in respect of said account, less (iii) 10% of the expenses (other than taxes in the case of one account) attributable to the operation of said account. In the event that there is a net realized and unrealized securities loss for such account, such loss is carried forward for the next seven calendar quarters and no advisory fees on securities gains are paid until the loss carried forward has been offset by subsequent securities gains. At present loss carry forwards exist.

The Company has appointed sub-advisors to render investment advice for 14 of the 20 proprietary fund accounts. Out of the Company's fees, the sub-advisors receive a yearly performance fee on the basis of outperforming FOF or, in some cases, the New York Stock Exchange Composite Common Stock Index. In certain cases, they also receive minimum fixed fees based on average net value of managed assets or specified cash amounts. Subject to minimum fee arrangements, the fees received by the sub-advisors generally cannot exceed 50% of the fees received by the Company from FOF Prop in respect of the particular accounts the sub-advisors respectively advise.

The following table shows the gross advisory fees paid by FOF Prop to the Company, the amount paid by the Company to the sub-advisors and the net amount retained by the Company for 1968 and the first six months of 1969.

	Year ended December 31, 1968	Six months ended June 30, 1969
Gross fees paid to the Company	$8,431,000	$864,000
Fees paid to the sub-advisors and other expenses	3,554,000	635,000
Net fees retained by the Company	4,877,000	229,000

In addition, beginning in 1967, FOF Prop developed a procedure whereby its portfolio securities were made available for loan to member firms of recognized stock exchanges. This service permits such firms to cover deliveries for customers who have sold securities but have not presented them for delivery by the settlement date and to lend securities to customers making short sales. Each loan was collateralized by a deposit of cash equal to the market value of the securities loaned at the time of the loan, adjusted from time to time to conform to market changes. Gross interest income amounting to $2,847,000 was earned through December 31, 1968 by FOF Prop from short-term investment of the cash collateral. FOF Prop paid the Company $645,000 for advice and recommendations in connection with stock loan activities. By agreement dated January 1, 1969, FOF Prop made its portfolio securities available to Financial Institutions Management N.V. ("FIM"), a wholly-owned subsidiary of the Company, so that FIM might conduct a stock loan business for its own account on the same basis as previously conducted. As compensation for the above, FIM has agreed to pay FOF Prop a yearly fee equal to the greater of (i) 4.05% per annum of the average outstanding value of FOF Prop securities loaned by FIM, computed on a beginning and end of month basis, or (ii) 54% of the prime interest rate in effect at The Bank of New York in New York City on the average outstanding value of securities loaned by FIM, computed on a beginning and end of month basis. For the six month period ended June 30, 1969, FIM earned $1,458,000 in net interest income from lending FOF Prop securities, of which a net amount of $860,000 was accrued for fees payable to FOF Prop.

IIT, an International Investment Trust

IIT is an open-end mutual fund, organized in December 1960 as a unit investment trust under the laws of Luxembourg, which came under the Company's management in 1962. The portfolio of IIT is diversified among securities of companies operating in various countries. Management has freedom to switch investment emphasis from country to country in order to benefit from growth opportunities in particular countries. The Fund's assets are principally invested in securities of companies in the United States, Japan, Holland and the United Kingdom. I.I.T. Management Company S.A. ("IIT Management"), a wholly-owned subsidiary of IOS Management, manages IIT for a fee equal to 1/12th of 1% per month (1% per annum) of IIT's net assets. The relationship between IIT Management and IIT is specified in regulations, promulgated pursuant to the laws of Luxembourg, which provide that any amendments must be proposed by IIT Management.

In the United Kingdom, IIT is sold only through securities dealers. Elsewhere, IIT is sold under The IOS Investment Program. It is not sold in Italy or Canada.

The following table sets forth certain statistical information concerning IIT for the last two years and for the six months ended June 30, 1969:

	End of Period			During Period				
Year ended	Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[2]	Face amount of investment programs sold [1]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [3]	Cash redemptions	Net cash to fund
12/31/67	$ 8.92	$185,505,000	$286,079,000	$299,476,000	$25,698,000	$ 98,815,000	$21,724,000	$ 77,091,000
12/31/68	10.21	474,026,000	680,414,000	695,641,000	39,656,000	277,831,000	36,633,000	241,198,000
Six months ended								
6/30/69	8.99	593,091,000	931,876,000[4]	568,966,000	35,575,000	221,055,000	31,388,000	189,667,000

(1) Includes CAPS and CAPINS but excludes letters of intent.
(2) Represents original program amounts and excludes fluctuations in program values.
(3) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.
(4) At June 30, 1969, $113,376,000, representing 11.5% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. See note (4) to the FOF statistical table for the definition of "behind schedule".

IOS Venture Fund (International) N.V.

Venture Fund International is an open-end mutual fund organized in the Netherlands Antilles in February 1969. Venture Fund International follows a policy of concentrating investments in securities of a limited number of industries and of a limited number of firms within industries. Its management is prepared to take more than ordinary risks where such risks appear reasonable in an attempt to achieve more than ordinary capital appreciation. The Fund's assets are principally invested in securities of companies in the United States.

Venture Management Company Limited ("Venture Management"), a wholly-owned subsidiary of IOS Management, manages Venture Fund International under an agreement dated March 4, 1969 for a fixed fee equal to 1/12th of 1% per month (1% per annum) of the net assets of the Fund and a quarterly incentive fee equal to the amount, if any, by which 10% of all

net realized and unrealized capital gains, dividend and interest income net of certain expenses of the Fund exceeds the fixed monthly fees paid. If, at the end of any calendar quarter, there are net realized and unrealized capital losses, such capital losses are carried forward to succeeding quarters in computing the quarterly incentive fees. At present a loss carry forward exists. The incentive portion is paid to IOS in lieu of IOS receiving an increase in the service fee paid to it by IOS Management under the Service Agreement discussed above. The management agreement continues until December 31, 1980, and may be renewed for further ten-year terms, if the renewals are ratified by the boards of directors of the Fund and the management company.

In the United Kingdom, Venture Fund International is sold only through securities dealers. Elsewhere, it is sold under The IOS Investment Program. It is not sold in Italy or Canada.

The following table sets forth certain statistical information concerning Venture Fund International from March 15, 1969, the initial offering date, through June 30, 1969:

At June 30, 1969			During Period from March 15, 1969 through June 30, 1969				
Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[1]	Face amount of investment programs sold[2]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [3]	Cash redemptions[3]	Net cash to fund
$9.46	$118,866,000	$32,666,000	$150,291,000	$544,000	$126,772,000	$1,610,000	$125,162,000

(1) Includes CAPS and CAPINS but excludes letters of intent.
(2) Represents original program amounts and excludes fluctuations in program values. Cash redemptions have exceeded face amount of investment programs fully redeemed because partial liquidations are included in the former but not in the latter.
(3) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.

Fonditalia

Fonditalia is an open-end mutual fund organized in August 1967 as a unit investment trust under the laws of Luxembourg. It was the first of the Company's national funds. Fonditalia seeks capital appreciation through concentration of its investments in Italian industry and diversification of investment in the United States, Japanese and European securities markets. Fonditalia Management Company S.A. ("Fonditalia Management"), a wholly-owned subsidiary of IOS Management, manages the Fund for a fee equal to 1/12th of 1% ~~per month (1% per annum)~~ of net assets. The relationship between Fonditalia Management and Fonditalia is specified in regulations, promulgated pursuant to the laws of Luxembourg, which provide that any amendment must be proposed by Fonditalia Management.

Fonditalia is sold primarily in Italy where it may be purchased directly through the facilities of an unaffiliated bank, or through the agency of Fiduciaria Europea-Americana, S.p.A. ("Fideuram"), a wholly-owned subsidiary of the Company. In the United Kingdom, it is sold only through securities dealers. Elsewhere, it is sold under The IOS Investment Program. It is not sold in Canada.

The following table sets forth certain statistical information concerning Fonditalia for the year ended December 31, 1968 and six months ended June 30, 1969:

	End of Period			During Period				
Year ended	Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[1]	Face amount of investment programs sold[1]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [3]	Cash redemptions[3]	Net cash to fund
12/31/68	$11.21	$57,031,000	$31,243,000	$91,996,000	$757,000	$54,030,000	$1,350,000	$52,680,000
Six months ended								
6/30/69	11.82	111,702,000	127,248,000[4]	154,537,000	1,112,000	54,436,000	3,346,000	51,090,000

(1) Includes CAPS and CAPINS but excludes letters of intent.
(2) Represents original program amounts and excludes fluctuations in program values. Cash redemptions have exceeded face amount of investment programs fully redeemed because partial liquidations are included in the former but not in the latter.
(3) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.
(4) At June 30, 1969, $850,000, representing less than 1% of the unpaid amounts of capital accumulation programs were considered behind their payment schedule. See note (4) to the FOF statistical table for the definition of "behind schedule".

The Equity Unit Account of The Dover Plan—The Fund of Funds Sterling Limited

The principal product marketed by the Company in the United Kingdom is issued through its insurance subsidiary and designated The Dover Equity Plan Policy ("The Dover Plan"). The Dover Plan is a life insurance policy with an equity investment participation called The Equity Unit Account. The assets of The Equity Unit Account are principally invested in securities in the United Kingdom.

The Equity Unit Account was formed in April 1963 and through reinsurance was indirectly initially invested only in FOF. Commencing in December 1965, investments were made in FOF Sterling, a newly formed open-end fund for sterling

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Investors Fonds

Investors Fonds is an open-end mutual fund organized in March 1968 as a unit investment trust under the laws of Germany. Although Investors Fonds is designed for the investor with particular interest in seeking capital growth through investment in the German economy, the Fund retains the right to diversify investment in other securities markets. In addition to its investments in Germany, the Fund presently invests in securities of companies in Japan, the United States, the United Kingdom and Holland. Investors Fonds Kapitalanlagegesellschaft mbH ("Investors Fonds KAG"), a 99%-owned subsidiary of IOS Management, manages Investors Fonds for a fee equal to 1/24th of 1% per month (1/2 of 1% per annum) of the net assets of the Fund. Pursuant to approval obtained from appropriate German authorities, the management fee will be increased to the equivalent of 1% per annum by the end of 1969. The relationship between Investors Fonds and Investors Fonds KAG, including the management fee, is specified in the articles of the Fund which were promulgated pursuant to the laws of Germany, and which may be amended only on the initiative of Investors Fonds KAG.

Investors Fonds was originally sold only in Germany, but the Company has recently made the Fund available elsewhere under The IOS Investment Program.

The following table sets forth certain statistical data concerning Investors Fonds for the period from March 22, 1968, the initial offering date, to December 31, 1968 and for the six months ended June 30, 1969:

	End of Period			During Period				
Period ended	Net asset value per share	Total net assets	Unpaid amounts of capital accumulation programs[1]	Face amount of investment programs sold[1]	Face amount of investment programs fully redeemed [1,2]	Total cash invested [3]	Cash redemptions[2]	Net cash to fund
12/31/68	$5.78	$13,539,000	$ —	$13,840,000	$348,000	$13,107,000	$657,000	$12,450,000
Six months ended								
6/30/69	6.13	29,936,000	32,187,000	49,535,000	992,000	17,199,000	1,328,000	15,871,000

(*) Includes CAPS and CAPINS but excludes letters of intent.
(*) Represents original program amounts and excludes fluctuations in program values. Cash redemptions have exceeded face amount of investment programs fully redeemed because partial liquidations are included in the former but not in the latter.
(*) Reflects amounts credited to investors' accounts after deduction of sales commissions and administrative charges.

I.V.M. Invest N.V.

I.V.M. Invest Management Company Limited ("IVM Management"), a wholly-owned subsidiary of the Company, manages IVM, an investment company organized under the laws of the Netherlands Antilles in March 1969, which currently serves solely as the investment vehicle for equity units of insurance policies issued by a new Dutch insurance subsidiary of the Company. These policies are currently sold in Holland. The Fund's assets are principally invested in Dutch securities. IVM Management manages the direct securities investments and the uninvested assets of IVM (representing approximately 78% of IVM's assets at June 30, 1969) for a fixed fee equal to 1/24th of 1% per month (1/2 of 1% per annum) of the net assets of IVM directly invested and a quarterly incentive fee equal to the amount, if any, by which 10% of all net realized and unrealized capital gains, dividend and interest income net of certain expenses of the Fund exceeds the fixed monthly fees paid. If, at the end of any calendar quarter, there are net realized and unrealized capital losses, such capital losses are carried forward to succeeding quarters in computing the quarterly incentive fee. At present, a loss carry forward exists. IVM Management receives no fee for the remaining 22% of IVM's assets which are invested in other Company-managed funds. The management agreement is of indefinite duration, but may be terminated by either party on three months notice. The Company is the holder of all the voting shares of IVM.

Svenska Internationella Investmentfonden

The Company has concluded an agreement with Investment Planering AB to provide investment advice and technical assistance in the management and administration of Interfond, an open-end mutual fund organized under the laws of Sweden in May, 1969. The Fund's assets are currently invested in Sweden. Pursuant to various service contracts, the Company receives the equivalent of approximately 50% of the management fee paid by the Fund to Investment Planering AB. For its services Investment Planering AB receives from the Fund a fixed fee of 1/24th of 1% per month (1/2 of 1% per annum) of the net assets of the Fund, and a quarterly incentive fee equal to the amount, if any, by which 10% of all net realized and unrealized capital gains, dividend and interest income net of certain expenses exceeds the fixed monthly fees paid. If, at the end of any calendar quarter, there are net realized and unrealized capital losses, such capital losses are carried forward to succeeding quarters in computing the quarterly incentive fees. Interfond is sold only in Sweden under The Interfond Investment Program.

Investment Banking

Investors Bank Luxembourg, S.A. ("Investors Bank") was organized under Luxembourg law in March 1963 and is fully qualified as a bank under Luxembourg law. Although it does engage in commercial banking activities to a limited extent, its principal activities are the public underwriting and private placement of Eurodollar securities issues[1]. The participation of Investors Bank in underwritings is frequently preceded by a determination of the Company's Investment Management Division that particular securities available in underwritings are desired for portfolios of Company-managed funds. Company-managed funds have been the principal customers of Investors Bank in its underwriting activities. Net income of Investors Bank for the year ended December 31, 1968 was $66,000 and for the six months ended June 30, 1969 was $53,000. At that date the bank's net worth was $440,000.

Investors Overseas Bank Limited was organized under Bahamian law in November 1968 and is licensed as a private bank under Bahamian law. In accordance with the terms of its license, IOB engages in a variety of investment banking activities. During the first six months of 1969, IOB has participated (usually with Investors Bank as co-underwriter) in various Eurodollar securities underwritings (commissions of $261,000); acted as investment banker in arranging a number of private placements primarily purchased by Company-managed mutual funds (fees of $200,000); received soliciting dealer fees in tender and exchange offers accepted by Company-managed funds (fees of $959,000); and, as an approved registered overseas representative of a member firm of The Stock Exchange, London, shared in customary brokerage commissions arising from transactions of certain Company-managed mutual funds on The Stock Exchange, London ($89,000). Net income of IOB for the six months ended June 30, 1969 was $1,672,000 and its net worth at June 30, 1969 was $2,172,000.

Other Financial Activities

Financial Institutions Management N.V. arranges stock loan transactions involving securities made available to it by FOF Prop. See "Business—The Fund of Funds, Limited". Net income of FIM for the six months ended June 30, 1969 was $593,000.

IOS Acceptance Company Limited ("Acceptance") is engaged in the business of making collateralized loans to Company clients to enable them to purchase and carry investments in Company-managed mutual funds. These collateralized loans, in the aggregate amount of $31,519,000 as of June 30, 1969, are rediscounted, with recourse, with ODB and unaffiliated banks on a revolving credit basis. This service is performed by Acceptance largely as an accommodation for Company clients. For the first six months of 1969, Acceptance operated at a loss.

REAL ESTATE

All of the real estate and related activities of the Company are conducted by subsidiaries of IOS Real Estate Holdings Limited ("Real Estate Holdings"), a wholly-owned subsidiary of IOS, organized under English law in March 1969. Net income for the six months ended June 30, 1969 was $777,000, compared with $870,000 for the comparable period in 1968.

Promotion and Sales

The Company's promotional and sales operations in the real estate area are conducted through Investors Development Corporation Limited ("Indevco"), organized under Bahamian law in February 1964, which is engaged in the location, creation, advertising, promotion, development and sales of real estate projects. Indevco has ten trained real estate specialists, who work in close association with the Company's sales organization in selling the real estate products offered by the Company. To date, these products have been in the form of condominium apartments, houses and parcels of land which have been sold through the Company's sales force almost entirely outside of the United States, primarily to non-United States persons, and have been marketed to non-United States persons principally as investments.

Sales and commission income from the sale of condominium apartments at Playamar in Torremolinos, Spain, and The Hemispheres in Hallandale, Florida, and interest income constitute Indevco's principal sources of revenue.

Playamar is located on the Costa del Sol and when completed will consist of 21 fifteen-story buildings, containing a total of 973 apartments, two clubs, swimming pools and related facilities. Indevco started selling the apartments in 1966 and has exercised substantial control in overall project development. At June 30, 1969, nine of the 21 buildings had been completed; 315 of the 973 apartments were occupied or available for occupancy and 840 out of 877 apartments available for sale had been sold by Indevco. The apartments ranged in price from $20,600 to $47,100.

The Hemispheres is located in Hallandale, Florida (between Miami Beach and Hollywood) and when completed will consist of 1,295 condominium apartments located in three 23-story buildings and one 19-story building, with a beach club, marina and other attendant facilities. At June 30, 1969, the four buildings were in the process of construction, and 1,024

(1) Among the offerings managed by Investors Bank were a $20,000,000 public issue and a $10,000,000 private placement of Eurodollar obligations guaranteed by Commonwealth United Corporation ("Commonwealth"). These offerings occurred in the first quarter of 1969. As a result of subsequent events, Commonwealth found itself in an illiquid position in early August 1969. The Company caused IPI to make a fully secured $4,500,000 short term loan to Commonwealth at a 14% per annum interest rate. At the same time, six persons designated by the Company were retained by Commonwealth on a temporary basis to assist it in reorganizing its finances and in securing new management personnel. The Company believes Commonwealth to have assets worth substantially in excess of its obligations. The Company has no intention of establishing or maintaining control of Commonwealth or of acquiring any of its assets.

apartments had been sold by Indeveo. The apartments range in price from $15,400 to $77,000 and are scheduled for occupancy in the spring of 1970.

To date, Indeveo has been able to sell apartments successfully in the projects it has marketed prior to their completion and in some cases at very early stages of construction. For this reason, and because of the relatively long construction period in Spain during which sales could be concentrated, cash received from customers was sufficient to cover construction costs at Playamar without outside financing. An analogous situation is developing with The Hemispheres, but it is anticipated that some financing will be received from IPI, the parent company of the developer of The Hemispheres, due to the shorter construction period in the United States.

In both of these projects, the Company conceived and created the product marketed. The cost of the location of sites, and advertising, rental, marketing and promotional expenses are borne by Indeveo out of its sales and commission income.

Indeveo realized net income of 12.9% of sale price of the units sold in the Playamar project. A similar margin is budgeted for The Hemispheres.

In addition, Indeveo processes purchase applications and acts as collection agent for the developer. The several methods of payment made available to the clients are:

(a) Full cash payment at time of order, which entitles the purchaser to a discount;
(b) Three-payment plan: 1/3rd payable at time of order, the other 2/3rds at two equal intervals during construction; and
(c) Systematic payment plan: a down payment at time of order with the balance amortized over a specified number of years, presently at 8½% interest to Indeveo, not exceeding seven years in Spain and ten years in Florida.

Of total sales of The Hemispheres apartments to June 30, 1969, 3.3% of the apartments were paid for in cash, 43% under the three-payment plan and 53.7% under the ten-year payment plan; in the Playamar project, 12.2% of total sales were for cash, 62.9% under the three-payment plan and 24.9% under the seven-year payment plan.

Indeveo does not have any equity interest in any of the projects that it has marketed. Indeveo's real estate marketing activities have been undertaken in conjunction with the ownership investment activities of IPI (whose initial real property investments were formerly held by the Real Estate Growth Fund account of FOF Prop). IPI owns a minority interest in the developer of Playamar, and the entire equity interest in the developer of The Hemispheres. It is anticipated that this relationship will continue, although the interest of IPI in future developments may be as a joint venturer with other investors. Presently, projects for condominium apartments for the retired in Hamburg and Munich are in preparation as well as another condominium project in Florida.

Management and Resale

Since the apartments are sold principally as investments to absentee owners, subsidiaries of Real Estate Holdings offer to manage the apartments for the owners for a fee equal to 10% of the rent received.

In Spain, Property Management S.A. and Property Management Limited have contracted with nearly all apartment holders to provide resale, rental and maintenance services for the apartments at Playamar. To facilitate the provision of these services, Real Estate Holdings has entered into a management agreement with a major European property management organization. Indeveo Management Corporation, N.V. makes similar facilities available in Florida. Indeveo will also act as agent for the owner in case of resale at a commission of 10% of the gross resale price. The Company presently anticipates that its future projects outside the United States will be managed by independent management organizations.

Engineering and Construction

Real Estate Holdings has recently established a wholly-owned subsidiary, IOS Engineering and Construction Company Limited, to supervise, under contract with the owner, the construction of the various real estate products marketed by Indeveo, or owned and constructed by IPI or its affiliates. Currently, the new subsidiary is supervising the construction of an office building in Kenya, on behalf of The Equity Unit Account, and providing advisory services on the construction at Playamar, The Hemispheres and the apartments for the retired in Germany.

Investment Properties International, Limited

On June 20, 1969, the Company marketed IPI, its first investment company product which was not a vehicle for investment in marketable securities. IPI received $100,000,000 in net proceeds. Of this offering, approximately 84% was distributed through the Company's sales organization, 6% was sold through a banking group headed by IOB and Investors Bank, and the remaining 10% represented the consideration (in shares of IPI) received by the Real Estate Growth Fund account of FOF Prop for the sale of the real property previously held by it. Each share entitled the holder thereof to a stock purchase warrant, which may be exercised from January 2, 1971 through December 31, 1974. If fully exercised, the warrants will result in additional equity to IPI, ranging from $103,100,000 to $155,757,000, depending on the date of exercise. IPI contemplates financing acquisitions or improvements of real estate in part through borrowings, primarily conventional real estate mortgages. IPI is an Ontario (Canada) corporation which at July 31, 1969, had 8% of its assets invested in various properties located

in the United States, 3% in properties outside the United States, and the remaining 89% in cash and short term money market obligations. IPI intends to invest a substantial portion of its assets in the acquisition and construction of deluxe hotels throughout the free world. To facilitate these plans, the Company is working with a major United States hotel organization. It is planned that IPI will provide construction capital and that the hotel organization will manage the completed hotels.

IPI is managed by IPI Management Company Limited ("IPI Management"), a wholly-owned subsidiary of IOS Management. For managing IPI, IPI Management will receive a fixed fee equal to 1/24th of 1% per month (1/2 of 1% per annum) of the net amount of invested capital plus proceeds from debentures, if any, of IPI and an incentive fee paid semi-annually equal to the total of 10% per annum of (i) all net realized gains on the sale of capital assets other than securities, (ii) all net realized and unrealized securities gains, (iii) all net interest and dividend income and (iv) the tax-free cash flow to IPI available for distribution to shareholders by reason of operation of real properties or mortgage refinancings. No incentive fee will be paid with respect to net realized or unrealized securities or capital gains during any semi-annual period until all previous net realized and unrealized securities or capital losses have been fully offset. The incentive portion is paid to Real Estate Holdings in lieu of IOS receiving an increase in the service fee paid to it by IOS Management under the Service Agreement discussed above. See "Mutual Fund Management". Neither IPI Management nor any of its affiliates will charge any real estate brokerage fees to IPI, and IPI Management will use its best efforts to keep to an absolute minimum real estate brokerage fees which might otherwise be payable by IPI to third persons in connection with the acquisition or disposition of properties. However, to the extent that the price paid by IPI or proceeds received by IPI may not be adversely affected, IPI Management or its affiliates may share in usual and customary real estate brokerage fees paid by persons selling properties to or acquiring properties from IPI.

INSURANCE

IOS Insurance Holdings Ltd. ("Insurance Holdings"), organized under Canadian Law in November 1956, is a 78%-owned subsidiary of IOS and conducts through its subsidiaries all life insurance and reinsurance activities of the Company. Net income from insurance operations for the six month period ended June 30, 1969 was $1,062,000, as compared to $822,000 for the comparable period in 1968.

The insurance operations of the Company are principally conducted through two subsidiaries:

The International Life Insurance Company (U.K.) Limited ("ILI-UK"), and

The International Life Insurance Company, S.A. ("ILI-LUX").

ILI-UK's principal business is issuing The Dover Equity Plan Policy. The Dover Plan is a ten-year life insurance policy under which the amount payable is partially dependent on the value of a portfolio of equity investments managed by the Company and called The Equity Unit Account. The investment portion of the premiums is allocated to The Equity Unit Account as indicated under "Business—The Equity Unit Account of The Dover Plan". Equity linked annuities and pension plans are also offered. In addition, ILI-UK offers whole life, group life and endowment life insurance policies, but the premium income from such policies has not contributed materially to ILI-UK's net income.

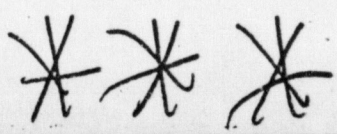
ILI-UK issues The Dover Plan and its other policies principally to residents of the United Kingdom although sales are actively promoted in other countries in the sterling area where permitted by local law. Sales are made through the Company's sales organization.

The premium for a Dover Plan Policy varies according to the age of the insured, the method of payment and other factors. The portion allocated to The Equity Unit Account is fixed and the balance represents charges to cover sales commissions, administrative charges and reserves. The acquisition charges on allocations to The Equity Unit Account of Dover Plan Policies vary from 8.98% of total premiums for a $1,200 policy to ½% for a $960,000 policy.

As in the case of The IOS Investment Program, it is in the policy holder's interest to continue payment of his premiums since a substantial portion of premiums in the first year constitutes sales commissions and administrative charges. These are substantially reduced as a percentage of premiums in subsequent years. The following table assumes a man 37 years old and is illustrative:

	1st Year	2nd Year	3rd-10th Years
Investment in The Equity Unit Account	45.3%	81.2%	84.7%
Amount allocated to reserves for life cover	8.9	8.9	8.9
Sales commissions and administrative charges	45.8	9.9	6.4
	100.0%	100.0%	100.0%

After the first annual premium has been paid and unless the policy holder has otherwise requested, any renewal premium which remains unpaid for 31 days from its due date is automatically paid by applying an equal cash value from the Equity Units allocated to his policy. As a result a policy does not lapse while there is a sufficient equity unit value to cover any overdue premium.



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While regulatory restrictions vary widely from country to country, the above described types of regulations are those which represent the most substantial limitations on the flexibility of operations of the Company's mutual fund business. The operations and earnings of the Company may be affected from time to time by the limitations imposed by present and future regulatory restrictions.

Since the mutual funds managed by the Company are not distributed in the United States, they are not subject to United States regulations governing mutual funds which sell their shares in that country, except to the extent provided in the Order of the United States Securities and Exchange Commission (the "Order") referred to below.

Insurance

The operation of an insurance company and the distribution of insurance policies are highly regulated activities. All of the Company's operating insurance subsidiaries are subject to varied regulation by appropriate governmental authorities in the jurisdiction of organization. The distribution of insurance policies is also affected in the countries where sold by the availability, under local exchange control regulations, of currency convertible into the currency of the policy as issued to pay the premium, and by restrictions or licensing requirements on the sale of insurance policies by foreign companies.

ILI-UK is itself a resident of the sterling area and can therefore receive premium payments not only from residents of the United Kingdom, but also from residents of other sterling area countries which do not impose restrictions on sterling movements within the sterling area. In addition, ILI-UK accepts premium payments from some countries in the sterling area which impose such restrictions and in these cases the premiums are invested locally. ILI-UK is also qualified to issue life policies in certain other countries of the sterling area which permit such policies to be issued by companies qualified in the United Kingdom.

ILI-LUX can generally accept premium payments for CAPINS free of exchange control in any country where The IOS Investment Program can be offered against direct payment in a freely convertible currency. In some countries, the Company utilizes its sales force to distribute CAPINS programs with coverage provided by local issuers or term policies of local issuers under arrangements by which all or part of the risk (or other equivalent risks) is reinsured with one of the Company's insurance subsidiaries. Germany is a significant country where such arrangements are in force.

To overcome the restrictions imposed on the distribution of policies of foreign insurance companies, the Company has recently begun the organization and development of local life insurance companies. IVM Insurance, a fully licensed Dutch insurance company, was organized in 1968 as the first of these. This is a program analogous to national fund development in the mutual fund operations of the Company and is expected to continue at an accelerated rate in the future.

Banking

Like insurance, banking is a regulated industry. All of the Company's bank subsidiaries are subject to the supervision and regulation of the relevant governmental agencies in the country of organization or where branch offices are maintained. Various licensing and similar restrictions impose limitations on the geographical scope or, in some cases, the substantive character, of the banking business which may be conducted by the Company's subsidiary banks.

ODB may conduct any business of a banking character at its offices in Switzerland and its branch in Luxembourg. The London branch of ODB is entitled to carry on a full banking business, except that under current restrictions it is limited in the purposes for which it may make loans to private customers.

Orbis is fully licensed to conduct business as a bank in Germany. Probanca is not restricted as to the character of the banking business it may conduct, but its activities are limited in geographical scope to the regions of Italy where existing agencies are located. Investors Bank is licensed to conduct any banking business in Luxembourg.

IOB is licensed under Bahamian law only to conduct investment banking activities. The Company does not intend to attempt to expand the scope of that license or the activities of IOB. Overseas Development Bank (Bahamas) Limited and Overseas Development Bank (Sterling) Limited have recently begun operations under a preliminary license which restricts them from conducting a banking business with the general public. As the personnel and other facilities of those banks are increased, the Company believes that full banking licenses will be obtained.

United States Securities Business

In May 1965, the SEC instituted a private investigation of the affairs and activities of the Company. In the following months the SEC requested, and the Company supplied, extensive documents and exhibits, setting forth detailed information concerning the affairs and activities of the Company. However, in the course of its private investigation, the SEC demanded that the Company provide to the SEC a full listing of investors in FOF and IIT, together with a detailing of their individual accounts. The Company refused to comply with such demands, contending that the SEC lacked jurisdiction as to the sales

of securities occurring wholly outside the United States and contending further that the Company was precluded from giving such information by applicable laws requiring that such information be kept in the strictest confidence, as well as by the custom of most countries wherein the Company had sold such securities.

In December 1965, the Company brought suit against the SEC in the United States District Court for the District of Puerto Rico, alleging a lack of jurisdiction on the part of the SEC and seeking a Declaratory Judgment that the Company be permitted to withdraw from registration as a broker-dealer under the United States Securities Exchange Act of 1934. (Such registration had been effected by the Company "under protest" in 1960.) In addition, a preliminary injunction was sought against any continuation of the SEC's private investigation until a final determination of the issues was made by the Court.

In February 1966, the SEC issued an order for public hearings. In such order allegations were made concerning violations of provisions of the United States Securities Exchange Act of 1934 and the Investment Company Act of 1940 by the Company and six associated individuals. The public hearings called for a presentation of evidence concerning such alleged violations and a determination as to whether a revocation of the Company's broker-dealer registration was "in the public interest". The preliminary injunction requested by the Company against the SEC was denied by the Federal District Court and an appeal from such denial was filed with the United States Court of Appeals for the First Circuit. While such appeal was pending, before any trial of the issues involved in the suit by the Company against the SEC and before any public hearings were held pursuant to the SEC order, and after months of protracted negotiations and discussions between the Company's representatives and the staff of the SEC, the Company submitted an Offer of Settlement to the SEC and on May 23, 1967 the SEC issued the Order accepting the Company's Offer of Settlement.

The Order contained no findings of fact or findings of violations of law. Pursuant to the Order: (a) the Company was permitted to withdraw its registration as a broker-dealer; (b) the Company agreed that it would not engage thereafter in the offer or sale of securities to United States citizens or residents, wherever located, with the exception of officers, directors and persons associated with the Company on a full time basis; (c) the Company disposed of its entire interest in IPC, a United States mutual fund management and sales company, on a basis acceptable to the SEC; (d) the Company agreed to refrain from future activities falling within the jurisdiction of the SEC; (e) the Company agreed to cause the future investments of FOF in securities of United States investment companies to come within such percentage limitations as are applicable to United States investment companies seeking to make such investments; and (f) the Company has taken a series of steps intended to secure compliance with the terms of the Order, and to accomplish a severance of activities within the jurisdiction of the SEC.

On August 15, 1969 the Company, without admitting certain alleged violations of the registration provisions of United States securities laws (arising from the sale of 40,000 shares of Revenue Properties Corporation stock on the American Stock Exchange), consented to the issuance of a court order enjoining sales of unregistered shares in the United States. ✓

On September 23, 1969 the SEC issued a series of orders attempting to hold a number of management companies and brokerage firms liable for channelling brokerage commissions back to mutual fund managements, including an order directing that a public hearing be held before an examiner of the SEC involving proceedings against IOS, Bernard Cornfeld, Edward M. Cowett, IPC and two officers of IPC, one of whom, Robert Sutner, is also a director of IOS. The order alleges various violations of laws administered by the SEC based primarily on the alleged improper retention by IPC of "give-ups" in respect of brokerage commissions paid by four mutual funds (only one of which was required to be registered with the SEC) in connection with their portfolio transactions. A wholly-owned subsidiary of IPC acted as investment advisor to the mutual funds. It is alleged that disclosure of such give-ups was not made to the shareholders of the funds. The total amount of the give-ups so retained by IPC and not paid to the funds involved was approximately $1,600,000. In the opinion of Messrs. Willkie Farr & Gallagher, counsel to IOS, no violations of then existing law were involved and this proceeding, even if lost, will not result in any material adverse financial consequences to IOS and its subsidiaries.

TAXATION

The statements made under this heading with respect to the liabilities of the Company for income taxes and dividend withholding taxes are based on the opinions of counsel to the Company as follows: as to the laws of Canada, Zimmerman, Winters, Worley, Grant, Hugo, Paddon & Bennett, Toronto, Ontario; as to the laws of the United States, Willkie Farr & Gallagher, New York, New York; as to the laws of the United Kingdom, Freshfields, London, England; as to the laws of France, Bernard Gorny, Paris, France; as to the laws of Luxembourg, Dupong et Konsbruck, Luxembourg; as to the laws of Switzerland, Poncet & Turrettini, Geneva, Switzerland; as to the laws of Germany, Dr. Klaus Köcke, Düsseldorf, Germany; as to the laws of Italy, Studio Chiomenti, Rome, Italy; and as to the laws of Spain, José Armero Alcantara, Madrid, Spain.

Due to careful tax planning and the nature of their businesses, since inception IOS and its subsidiaries have paid taxes at a relatively low overall rate. As indicated below certain companies pay no taxes or comparatively low taxes while other

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companies pay taxes at normal rates. It is likely, due largely to the expansion of the Company's business, that the Company's average tax rate will increase in the future, particularly if any country in which IOS or one of its subsidiaries currently pays no income tax should determine that such a tax should be paid. Furthermore, while the Company believes it unlikely that its past business will result in any material tax liability not reflected in this prospectus no assurance to this effect can be given.

IOS, as a non-resident Canadian company[1], pays no income taxes in Canada. Its subsidiaries are liable for taxes to the jurisdictions in which they are incorporated or in which they operate to the extent they are subject to taxation in such jurisdictions. The major operational activities of the Company are subject to the below described taxation.

Swiss Tax Convention. IOS is subject to Swiss income taxes since it maintains its chief executive and administrative offices in Geneva. Pursuant to a tax convention for an indefinite term concluded with the competent revenue authorities of the Federal Government of Switzerland and the Cantonal Government of Geneva, IOS has assumed all liability for the Federal and Cantonal taxes related to income and capital which might otherwise be payable by those of its subsidiaries (other than Swiss companies, principally ODB) which also maintain their chief executive or administrative offices in Geneva. It is estimated that the aggregate amount payable to the Federal and Cantonal authorities with respect to income from activities of IOS and its subsidiaries will total approximately $650,000 for the year 1968.

Sales. Investors Overseas Services Limited and Investors Overseas Services (Sterling) Limited, both Bahamian companies, pay no Bahamian income taxes nor are any withholding taxes imposed on dividends paid by them. Their affiliates, I.O.S. of Canada Ltd. and Investors Overseas Services (U.K.) Limited, are subject to income and dividend withholding taxes at normal rates in Canada and the United Kingdom, respectively. All profits of Fideuram from its activities in Italy are subject to income tax at normal rates in Italy and its dividends are subject to the Italian dividend withholding tax of 30%.

Fund Management. IOS Management, a non-resident Canadian company, is not subject to Canadian income taxation on its earnings nor are its earnings when distributed as dividends to its shareholders subject to Canadian withholding tax. The management subsidiaries of the Company are not subject to income tax or dividend withholding tax, except that (i) Regent Fund Advisers (1963) Ltd. is subject to Canadian taxes at normal rates on both; (ii) the management fee paid by Venture Fund to Venture Management is subject to a Canadian 15% withholding tax; (iii) the management fee paid by Regent Fund to Regent Management is subject to a Canadian withholding tax of 15%; and (iv) the management fee paid to Investors Funds KAG is subject to German income tax and to dividend withholding tax on dividends paid to its parent.

Real Estate Sales and Management. Real Estate Holdings, a non-resident English company, is not subject to English income tax on earnings or withholding tax on its dividends. Indeveo is subject to no Bahamian income taxes on revenues arising from its own activities either in real estate sales or real estate investment management and its distributions to shareholders are free from withholding tax. Property Management S.A. is subject to Spanish income tax at normal rates and Spanish withholding tax on dividends paid. Indeveo Management Corporation, N.V. is subject to United States income tax on the United States source income it receives as sales, rental and management agent for The Hemispheres project in the United States.

Banking. Financial Holdings, a non-resident English company, is not subject to English income tax on earnings or withholding tax on its dividends. ODB, Orbis, Investors Bank and Probanca are subject to income tax and withholding tax on dividends at normal rates in Switzerland, Germany, Luxembourg and Italy, respectively. The branches of ODB in Luxembourg and England are fully subject to tax there. The other subsidiaries of Financial Holdings are not subject to income tax nor are their dividends subject to withholding tax.

Insurance. Insurance Holdings, a non-resident Canadian company, is not subject to Canadian income tax nor are its dividends subject to Canadian withholding tax. The tax status of its subsidiary, ILI-LUX, is regulated by a tax convention (expiring in 1971) concluded by it with Luxembourg pursuant to which income tax is imposed at the approximate rate of 12½% and dividend distributions are subject to a Luxembourg withholding tax of 9%. ILI-UK and IVM Insurance are subject to income tax at normal rates and dividends are subject to withholding taxes at the normal rates prevailing in the United Kingdom and Holland, respectively.

Administrative and Service Companies. The Company operates administrative or service companies in France, Germany, Switzerland and other countries. These companies are subject to tax at normal rates in their countries of operation except in Switzerland where the special tax agreement prevails.

Miscellaneous. In addition to the taxes mentioned above, the Company is subject to various miscellaneous taxes, such as social security, capital, net worth and real estate taxes. For instance, Luxembourg imposes various taxes on net worth aggregating about 1.3% per annum which, based on net worth at December 31, 1968, would amount to about $40,000 for ILI-LUX.

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(1) To have non-resident status, a Canadian company must have been incorporated before April 27, 1965 and must not have been resident or carried on business in Canada in any fiscal year of the company ending after April 26, 1965. Such non-resident status is lost if the company's management becomes resident in Canada or if the company carries on business in Canada and such status, once lost, can not be regained. Since the non-resident status of a company is determined on the basis of facts, any opinion of counsel as to such non-resident status is necessarily based on such facts as are within the knowledge of counsel and as are believed by counsel to be reliable.

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MANAGEMENT OF THE COMPANY

The names, home addresses and principal occupations of the directors and officers of IOS are as follows:

Directors and Officers	Home Address	Company Office Held	Principal Occupation
Count Carl Johan Bernadotte	3, Villa Emile-Bergerat, 92, Neuilly-sur-Seine, France	Director	Chairman, Board of Directors, Sundstrand International Corporation, Paris, France
Martin Montague Brooke	Duxbury House, Chantry View Road, Guildford, Surrey, England	Director	Director, Guinness Mahon & Co. Limited, London, England
Christian Henry Buhl III*	Les Charmettes, Gland, Vaud, Switzerland	Director	Chief Officer of Investment Management Division of Company
Allen Richard Cantor*	Port Choiseul, Rue Marchard, Versoix, Geneva, Switzerland	Executive Vice President and Director	Chief Officer of Company's Sales Organization
Pasquale Chiomenti	98, Viale B. Buozzi, Rome, Italy	Director	Senior Partner, Studio Chiomenti, Attorneys-at-law, Rome, Italy
Bernard Cornfeld*	218, rue de Lausanne, Geneva, Switzerland	President, Chairman of the Board and Director	Chief Executive Officer of Company
Edward Joseph Coughlin, Jr.	4, Place de l'Etrier, Chêne-Bougeries, Geneva, Switzerland	Secretary	Associate General Counsel of Company
Edward Morton Cowett*	Villa Belle Haven, Cologny 1223, Geneva, Switzerland	Executive Vice President and Director	Chief Operating Officer of Company
Harvey Felberbaum	Piazza Monte Savello 30, Rome, Italy	Director	A General Manager of Company's Sales Organization
Richard Gangel*	26 Rutland Gate, London S.W.7, England	Director	A Senior Sales Officer
Kent Gordis**	Grande Coudre, Celigny, Geneva, Switzerland	Vice President	Chief Officer of Company's Computer Processing Facilities
Richard Hammerman*	26 Kingston House South, Ennismore Gardens, London S.W.7, England	Director	Chief Officer of Company's Insurance Organization
Ben Heirs**	27, chemin de Bougeries, Chêne-Bourg, Geneva, Switzerland	Executive Vice President of Financial Holdings	Senior Officer of Company's Banking Organization
Roy Kirkdorffer	Ilchester House, Winnington Road, London N.2, England	Director	Chief Officer of United Kingdom Sales Organization
George Landau*	4, rue des Granges, Geneva, Switzerland	Vice President and Director	Senior Executive of Company responsible for Administration
Jay Francis Leary	53, route de Suisse, Nyon, Vaud, Switzerland	Assistant Secretary	Lawyer
Melvin Lechner	4, Place de l'Etrier, Chêne-Bougeries, Geneva, Switzerland	Treasurer	Chief Financial Officer of Company
Erich Mende	Am Stadtwald, Bad Godesberg, Germany	Director	Senior Executive of Company's German Operations
George von Peterffy	6 Coolidge Hill Road, Cambridge, Mass., U.S.A.	Director	Associate Professor, Harvard Business School
Norman Rolnick	1249 Avully, Geneva, Switzerland	Assistant Treasurer	Comptroller of Company

Directors and Officers	Home Address	Company Office Held	Principal Occupation
James Roosevelt*	Villa Beauvoir, 97, chemin de Ruth, Cologny, Geneva, Switzerland	Director	Chief Officer of Company's Development Organization
Lawrence Rosen	Chemin des Palettes 31, Grand Lancy, Geneva, Switzerland	Assistant Secretary	Officer of Company's Sales Organization
Martin Seligson*	Chemin des Hauts-Crets 19, Cologny, Geneva, Switzerland	Director	Chief Officer of Company's Real Estate Organization
Barry Harman Sterling*	41, Avenue Foch, Paris, France	Director	Chief Officer of Company's Banking Group
Robert Sutner	299 Highland Avenue, Ridgewood, New Jersey, U.S.A.	Director	A Senior Advisor to Company's Sales Organization
George Tregea*	Quai Wilson 43, Geneva, Switzerland	Director	A Senior Officer of Company's Sales Organization
Eli Wallitt*	57, route de Collex, Bellevue, Geneva, Switzerland	Director	A Field Director of Company's Sales Organization
Ira Weinstein	12 Rosemount, Westmount, Quebec, Canada	Director	Chief Officer of Canadian Sales Organization
Sir Eric Wyndham White, K.C.M.G.*	1, Place de la Taconnerie, Geneva, Switzerland	Vice President and Director	A Senior Officer of Company's Development Organization
Wilson Watkins Wyatt	1001 Alta Vista Road, Louisville, Kentucky, U.S.A.	Director	Senior Partner, Wyatt, Grafton and Sloss, Attorneys-at-law, Louisville, Kentucky, U.S.A.

* Denotes Member of Executive Management Committee (the "Committee"). The by-laws of IOS vest in the Committee all powers of the Board of Directors in the interim between meetings of the Directors, and empower the Committee to take all action that might be taken by the Board. The Committee is appointed by the Board annually and holds regular meetings at least monthly. All directors who are not specifically appointed to the Committee are invited to attend and vote at all meetings. Mr. Edward M. Cowett is the Chairman of the Committee.

** Denotes ex-officio, non-voting member of the Committee.

All persons listed above have been in their present principal occupation for the past five years except that the following persons had occupations as indicated below prior to joining the Company:

Count Carl Johan Bernadotte has also been Chairman of the Board of Directors of Sundstrand Hydraulic AB since 1954;

Edward Joseph Coughlin, Jr. was associated with Paul, Weiss, Goldberg, Rifkind, Wharton & Garrison, Attorneys-at-law, New York;

Jay Francis Leary was associated with Willkie Farr & Gallagher, Attorneys-at-law, New York;

Melvin Lechner was associated with Arthur Andersen & Co., Independent Public Accountants, New York;

Dr. Erich Mende is a member of the Bundestag and was formerly Vice-Chancellor of Germany;

James Roosevelt was a member of the United States House of Representatives as well as the permanent United States Representative to Committee II of the United Nations;

Martin Seligson was President and a Director of Atlantic Improvement Corporation, New York;

Barry Harman Sterling was a senior partner of Hindin, Sterling, McKittrick & Powsner, Attorneys-at-law, Los Angeles, California; and

Sir Eric Wyndham White was Director-General of The General Agreement on Tariffs and Trade (GATT).

At September 1, 1969 the officers and directors owned an aggregate of 40% of the Preferred Shares including 17% owned by Bernard Cornfeld. After giving effect, as of that date, to this and to the offerings referred to under "Other Offerings", the percentages will be 37% and 15%, respectively.

Remuneration of Officers and Directors

The following table classifies the salaries and fees (excluding profit sharing) paid to the present officers and directors of IOS who received such compensation for the year ended December 31, 1968.

1 person	$150,000
10 persons	between $50,000 and $150,000 each
6 persons	between $25,000 and $50,000 each
3 persons	less than $25,000
All officers and directors as a group	$1,038,000

On the basis of present salary rates and fees paid to directors, the Company estimates that such compensation (excluding profit sharing) of all officers and directors as a group for the year 1969 will be $1,423,000. Four of the directors, who are regional vice presidents of the Company's sales organization, receive no salary compensation or fees, but are compensated on the basis of override sales commissions. On the basis of 1968 recurring and nonrecurring profits, the officers and directors received in the aggregate $260,000 in profit sharing.

The Company has a service contract with Dr. Mende which provides that the Company will pay him a fixed annual service fee. This fee is included in the amounts given above. In addition, Studio Chiomenti, of which Dr. Pasquale Chiomenti is a partner, and Wyatt, Grafton and Sloss, of which Wilson W. Wyatt is a partner, act as counsel to the Company, and Guinness Mahon & Co. Limited, of which Martin Brooke is a director, acts as one of the sub-advisors giving portfolio advice to the Company and carries out banking transactions with the Company.

The Company owns no private or commercial aircraft, but leases from time to time, on a basis favorable to the Company, private aircraft, including aircraft owned by two officers of the Company.

In the regular course of their business, IOS' banking subsidiaries have made loans to sales representatives and employees of the Company, including officers and directors. Such loans may be substantial in amount, but are fully secured and are made on terms and in amounts consistent with loans made by the banks to persons not associated with the Company.

Executive and Administrative Personnel

To respond to the demands of increasing business, the Company has inaugurated a program to increase the number of trained management and professional personnel. Two of the Company's executives now devote substantially full time to recruitment of potential executives, concentrating on those with a formal business education.

The turnover among clerical workers in the Company's administrative staff is higher than the Company regards as optimal. The Company has recently expanded Company-sponsored educational and recreational activities at its facilities in Ferney-Voltaire and Nyon, especially aimed at the needs of its clerical personnel. Company benefits offered to administrative and executive personnel include health and group life insurance (partially contributory) and paid vacations. Administrative personnel are entitled to benefits under a Company administered pension plan (optionally contributory in part).

Since 1964, the Company has had an Executive Profit Sharing Plan for all persons earning $30,000 or more per year. In each of the years prior to 1968, the Company allocated 5% of its recurring profits to the Plan. It intends to continue this policy in the future. In 1968, because of unusual nonrecurring profit items, the Board of Directors allocated an additional 2½% of such nonrecurring profits to the Profit Sharing Plan on a one-time basis. The resultant share of recurring and nonrecurring profits added 25.61% to salaries received during the year and was distributed pro-rata to those executives.

The availability of work permits for foreigners in Switzerland is restricted and limits the ability of the Company to employ non-Swiss persons in its offices in Geneva. The availability of work permits for foreigners imposes no comparable limitation on employment of foreign workers at its other offices in the Geneva area. Employees at all the Company's offices are entitled to social security and other customary statutory benefits prevailing in the jurisdiction where offices are maintained, including restrictions on the termination of employment.

PROPERTY

Listed below are the Company's principal executive, administrative, banking and insurance offices at July 31, 1969:

Location and Description	Owned or Leased	Net Annual Rental	Expiration of Leases	Approximate Gross Area in Square Meters
Geneva, Switzerland				
Executive Offices[1]:				
119, rue de Lausanne and adjoining premises at 2-4, Avenue Sécheron	Leased	S.Fr. 441,892	1975	4,673
Administrative Offices:				
16, Chemin de la Voie Creuse	Leased	S.Fr. 316,373	1972	2,735
Conference and training facilities:				
Bella Vista	Owned			900
Banking Offices[2]:				
40 and 23, rue du Rhône and adjacent offices; 121, rue de Lausanne	Leased	S.Fr. 578,320	1972-74	2,700
Nyon, Switzerland[3]				
Data Processing Facility	Leased	S.Fr. 120,000	1972	2,000

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Location and Description	Owned or Leased	Net Annual Rental	Expiration of Leases	Approximate Gross Area in Square Meters
Ferney-Voltaire, France[4]				
Administrative Offices	Owned			10,000
England				
Executive offices[5]:				
Park House, Park Street, London W.1	Leased	£11,000	1978	475
Portland House, Stag Place, London S.W.1	Leased	£92,000	2053	2,111
Administrative Offices:				
Wembley Park, Middlesex	Leased	£61,200	2009	5,600
Canada				
Administrative and Sales Offices:				
Montreal	Leased	Cdn. $104,714	1975-77	2,037
Toronto	Leased	Cdn. $39,669	1974	1,244
Luxembourg[6]				
Banking Office	Leased	Lux. Fr. 264,000	1971	320
Germany				
Administrative offices of I.O.S. in Deutschland GmbH:				
Munich	Leased	DM 294,852	1970-71	3,931
Bad Godesberg	Leased	DM 54,000	1971	170
Banking Offices:				
Munich	Leased	DM 59,400	1972	755
Frankfurt	Leased	DM 110,340	1974	235
Dusseldorf	Leased	DM 49,368	1972	242
Pre-processing:				
Munich	Leased	DM 386,964	1972	3,000
Italy				
Administrative office of Fideuram:				
Rome	Leased	$61,000	1970-74	3,313
Banking Office:				
Milan	Owned			1,500

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(1) The Company has an option to purchase the capital stock of a company owning the building at 119, rue de Lausanne and 2-4, Avenue de Sécheron. The Company has leased 2,200 square meters for additional executive offices in a new building at 143, 145, and 147, rue de Lausanne. Occupancy is scheduled for October 1969. In addition, the Company is constructing a new office building at 1, Avenue de la Paix adjacent to the new rue de Lausanne leased space. At estimated completion in September 1970, the building will have 5,650 square meters of gross space.

(2) ODB has agreed to purchase property on the Quai du Mont Blanc in Geneva. It is contemplated that a new bank building will be housed on this site.

(3) The Company has contracted for the construction of a new data processing center in Nyon. First stages of this building are scheduled for completion beginning October 1970.

(4) These buildings are legally classified as "temporary" by the French government. Construction has begun on a permanent building, estimated to be completed in 1971.

(5) The Company has acquired a leasehold interest in a building located at 25-27 North Row, London W.1. The building comprises a total of 2,143 square meters and the lease expires on March 25, 1994. The annual rental is £25,000 per annum.

(6) The Company has contracted for the purchase of a building at 18, Avenue de la Liberté, Luxembourg. The building has 1,200 square meters of gross space and its cost is approximately $300,000. The anticipated occupancy is Spring 1970.

The Company's present executive offices in Geneva and its data processing center in Nyon are located in former residential apartment complexes which have been converted into business facilities. The completion of the new buildings described in the footnotes above should make the Company's administrative operations more efficient and convenient by centralizing facilities which are now at different locations in and near the city of Geneva.

required period of active service. Neither under the Plan nor under such agreements may conversions take place prior to March 1970. The provisions attaching to the shares of IOS provide that in no event may more than 20% of the maximum number of Preferred Shares at any time outstanding be converted into Common Shares in any year.

The Plan provides that the heirs of any deceased shareholder have the same rights as any holder of Preferred Shares acquired under the Plan who has completed ten years of active service.

The number of Preferred Shares held under the Plan by persons who had fulfilled lengths of service required to permit conversion into Common Shares or held under contractual rights of conversion described above at the relevant annual 10% or 20% rate on September 1, 1969, as adjusted for the September recapitalization was approximately 25,600,000. Other than conversion rights afforded by the Plan, and conversion rights afforded by the Company identical to those currently specified in the Plan by agreement with holders who acquired shares before the Plan assumed its present form, the Company intends not to exercise its power under the share provisions to permit the conversion of Preferred Shares to Common Shares.(1)

Without approval given by the holders of two-thirds of each class, present at a meeting duly held in accordance with the special class voting provisions described under "Description of Share Capital": (i) IOS cannot after the date hereof issue a number of Preferred Shares under the Plan in excess of the number which would represent (subject to adjustment in the case of stock splits and stock dividends) ten percent of issued and outstanding Common Shares and Preferred Shares on the date of this prospectus; (ii) various specified material aspects of the Plan may not be changed; and (iii) no alternative plan can be introduced.

EXPERTS

The financial statements of I.O.S., Ltd. and subsidiaries, IOS Financial Holdings Limited and subsidiaries, IOS Real Estate Holdings Limited and subsidiary, and IOS Insurance Holdings Ltd. and subsidiaries, included in this prospectus have been examined by Arthur Andersen & Co., independent public accountants, for the periods indicated in their reports with respect thereto. In such reports that firm states that its opinions are based on the reports of other accountants with respect to certain subsidiaries. Such financial statements are included herein in reliance upon the authority of said firms as experts in giving such reports.

LEGAL OPINIONS

Legal matters in connection with this offering are being passed upon for the Company by Willkie Farr & Gallagher, New York, in regard to United States law; Zimmerman, Winters, Worley, Grant, Hugo, Paddon & Bennett, Toronto, in regard to Canadian law; and Freshfields, London, in regard to English law. Reference is made to various law firms named under "Taxation" on whose opinions statements in regard to taxes and dividend distributions are based. Allan F. Conwill, a partner of Willkie Farr & Gallagher, is a director of Investors Overseas Services Management Limited and of The Fund of Funds, Limited.

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(1) The Company has entered into separate agreements with two employees granting them the right to acquire 50,000 and 10,000 Preferred Shares, respectively, at the March 31, 1969 Formula Value Price as adjusted for the subsequent stock split in June 1969. The first third of the Preferred Shares which may be acquired upon exercise of the 50,000 share option can be converted into Common Shares at any time after December 1, 1969; all Preferred Shares which may be acquired upon exercise of the 10,000 share option may be converted into Common Shares at any time after January 1, 1969. These are the only options granted by the Company which are exercisable at the material above. (For another special arrangement concerning issuance of Preferred Shares, see Note 2 to Notes to Consolidated Financial Statements of I.O.S., Ltd. and subsidiaries.)

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Excerpts From Crang Prospectus
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THE COMPANY

History of the Company's Business

The business now carried on by I.O.S., Ltd. (the "Company") was founded in Paris, France in 1956 by Mr. Bernard Cornfeld and at that time consisted of the distribution in Europe of shares of several United States mutual funds. In 1958, the executive offices of the business were moved to Geneva, Switzerland. On April 30, 1960, the business was transferred to I.O.S., Ltd. (S.A.) (the "Predecessor Company"), a Panamanian company all the shares of which were then owned by Mr. Cornfeld. In the brief span of 13 years the Company has expanded to the extent that the Company and its over 80 subsidiaries ("The IOS Group") now employ more than 3,000 executive and administrative personnel and retain more than 13,000 sales associates to service their more than 750,000 mutual fund investors, real estate clients, bank customers and insurance policy holders.

In 1961, the Predecessor Company sponsored its first mutual fund, a unit investment trust known as IIT designed to accommodate an international clientele. A year later, a second mutual fund named The Fund of Funds, Limited was incorporated by the Predecessor Company for the purpose of investing solely in securities of other mutual funds and mutual fund management companies. In 1963, the Predecessor Company assumed control and management of Regent Fund Ltd., then a small Canadian mutual fund. Since 1963, the Predecessor Company has sponsored seven new mutual funds, with the result that at August 31, 1969, the Company's business included the management of the investments and the distribution of the shares of ten mutual funds whose net assets totalled $1,845,021,000.

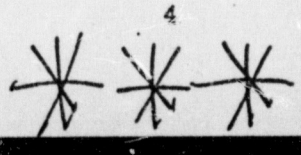
In 1962, the Predecessor Company entered the insurance field with the incorporation of The International Life Insurance Company S.A., a company whose principal purpose was the issue of life insurance insuring the completion of mutual fund share purchase programs sold by the Predecessor Company. The following year, The International Life Insurance Company (U.K.) Limited was formed to offer The Dover Plan, an equity-linked term life insurance policy, and to carry on a general life insurance business. In 1968, The International Reinsurance Company Limited was incorporated for the purpose of providing re-insurance facilities to the other insurance subsidiaries of the Predecessor Company. At June 30, 1969, the insurance branch of the Company's business had policies in force in the amount of $1,122,939,000.

In 1964, the Predecessor Company commenced its banking operations with the purchase of 75% of the shares of Overseas Development Bank, then a small Swiss bank. During the period from 1964 to the present, eleven other banks or financial subsidiaries were established or acquired. At June 30, 1969, the assets of Overseas Development Bank (now a wholly-owned subsidiary) totalled $85,224,000 and the aggregate assets of the banking branch of the Company's business amounted to $180,235,000.

In 1966, the Predecessor Company, through Investors Development Corporation Limited, commenced the development, promotion and distribution of real estate. Since 1966, Investors Development Corporation Limited, either directly or through subsidiaries, has promoted and sold large condominium apartment complexes located in Spain and Florida and has initiated a program for the development and sale of other real estate projects in Florida and Germany.

Pursuant to a written agreement of exchange dated June 20, 1969, the Company purchased all the assets (except for $216,250 cash) of the Predecessor Company at book value for a consideration consisting of 6,118,695 shares of the Company and the assumption by the Company of all liabilities of the Predecessor Company. Subsequent to June 20, 1969 and prior to the date hereof, all of the 6,118,695 shares of the Company issued to the Predecessor Company as aforesaid were distributed by the Predecessor Company to its shareholders. As a result of this distribution and the issue of various supplementary letters patent to the Company (particulars of which are set out immediately below under the heading "Corporate Details of the Company"), all of the issued and outstanding shares of the Company consisting of 43,674,156 preferred shares of the par value of 25¢ (United States currency) each and 5,392,000 common shares of the par value of 25¢ (United States currency) each are held by persons who were shareholders of the Predecessor Company. Of the said 43,674,156 preferred shares, 35,778,092 are subject to the restrictions of The IOS Stock Option Plan, details of which are set out under the heading "The IOS Stock Option Plan" on page 24 of this prospectus. The net tangible asset value per share of the Company after the issue by the Company of 5,600,000 common shares as described under the heading "Other Offerings" will be $2.21.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.



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	Year Ended December 31					Six Months Ended June 30	
	1964	1965	1966	1967	1968	1968	1969
Management and sale of mutual funds and related income*	97%	95%	81%	43%	52%	37%	37%
Banking	—	2	16	30	29	33	46
Real Estate	—	—	(4)	21	12	17	8
Insurance	3	3	7	6	7	13	9
TOTAL	100%	100%	100%	100%	100%	100%	100%

*Excludes activities of Investors Planning Corporation. See Note 5 of Notes to Consolidated Financial Statements on page 46 hereof.

MUTUAL FUND SALES

Investors Overseas Services Limited, a wholly-owned subsidiary of the Company, is responsible for the sale, through more than 13,000 sales managers, supervisors and associates in over 180 regional sales, administrative and information offices, of shares of mutual funds and equity-linked life insurance policies. Sales growth has been concentrated in shares and insurance policies issued by mutual funds and insurance companies managed by the Company. Sales volume of Company-managed products and mutual funds, sales volume of shares of mutual funds managed by others and total sales volume of mutual funds and equity-linked life insurance for each of the past five years and the first six months of 1968 and 1969 were as follows:

Face Amount (rounded to the nearest hundred thousand dollars)			
Year	IOS-managed products	Other products	Total
1964	$ 255,200,000	$ 62,600,000	$ 317,800,000
1965	581,700,000	77,900,000	659,600,000
1966	1,092,100,000	60,300,000	1,152,400,000
1967	919,600,000	268,641,000	1,188,241,000
1st 6 months 1968	812,800,000	24,400,000	837,200,000
1968	1,468,800,000	291,757,000	1,760,557,000
1st 6 months 1969	1,363,200,000	36,305,000	1,399,505,000

The sales personnel of The IOS Group are self employed associates remunerated solely on a commission basis. Advancement is on a basis of personal performance and the performance of associates under supervision. As a result, all sales associates are concerned with recruitment and training of new associates for the sales organization. The growth of the sales organization of The IOS Group is illustrated by the following table:

As of	Number of managers	Number of supervisors	Number of sales associates	Total sales personnel
December 31, 1964	80	412	1,732	2,224
1965	176	820	3,280	4,276
1966	270	1,500	4,600	6,370
1967	621	1,157	5,637	7,415
1968	930	1,597	6,536	9,063
June 30, 1969	1,176	2,241	9,850	13,267

Sales of mutual fund shares and equity-linked life insurance policies are largely effected through *The IOS Investment Program,* a computer-oriented custodial bookkeeping service offering investors the opportunity to make their purchases under one of the following three types of Programs:

Fully Paid Program—a lump sum investment.

Capital Accumulation Program ("CAP")—a 10 or 15-year Program for monthly investments.

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

Rothschild-Expansion. The Company has concluded an agreement with Banque Rothschild S.A., Paris, to provide portfolio management and technical assistance in the sale, management and administration of Rothschild-Expansion, a French SICAV (mutual fund). Prior to this agreement, the Company had not engaged in mutual fund sales or management activities in France. Pursuant to this agreement, the Company will share the net proceeds from the management fee paid by the SICAV. The Company will also actively assist in sales to the public in France and will undertake sales in French overseas territories and countries belonging to the French franc zone.

To date, the three fund operations last mentioned above have not been material to the operation of the Company.

F.O.F. Proprietary Funds Ltd. (*"FOF Prop"*) is a wholly-owned subsidiary of FOF. At June 30, 1969 approximately 89% of the net assets of FOF were invested in FOF Prop. The assets of FOF Prop are divided into seventeen fund accounts, each of which is managed by one of six wholly-owned Bahamian subsidiaries of the Company. Pursuant to separate investment advisory agreements with FOF Prop, each of these subsidiaries receives investment advisory fees on a calendar quarter basis based on the investment performance of the particular fund account. In respect of thirteen of the fund accounts, the managing subsidiaries have appointed unaffiliated sub-advisors to render investment advice to such subsidiaries.

The following table shows for 1968 and the first six months of 1969 the gross advisory fees paid by FOF Prop to the Company, the amount paid by the Company to the sub-advisors and the net amount retained by the Company.

	Year ended December 31, 1968	Six months ended June 30, 1969
Gross fees to Company	$9,115,000	$934,000
Fees paid sub-advisors	3,843,000	687,000
Net fees retained by Company	5,272,000	247,000

Beginning in 1967, FOF Prop made its portfolio securities available for loan to member firms of recognized stock exchanges. Gross interest income amounting to $3,078,000 was earned through December 31, 1968 by FOF Prop from the investment of cash collateral for such loans. FOF Prop paid to Financial Institutions Management Company Limited, a wholly-owned subsidiary of the Company, $698,000 for advice and recommendations in connection with such securities lending activities. As of December 31, 1968, the agreement between FOF Prop and Financial Institutions Management Company Limited was terminated and FOF Prop entered into a contractual arrangement with Financial Institution Management N.V. ("FIM"), a wholly-owned subsidiary of IOS Financial Holdings Limited (described on page 15 hereof), whereby FOF Prop has agreed to make its portfolio securities available to FIM so that FIM may conduct for its own account a stock loan business. As compensation, FIM has agreed to pay FOF Prop a yearly fee equal to the greater of

(i) 4.05% per annum of the average outstanding balances of the securities loaned by FIM, computed on a month-end basis, or

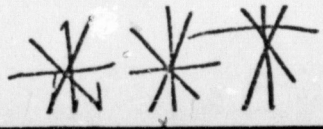
(ii) 54% of the prime rate of interest prevailing at The Bank of New York in the City of New York on the average outstanding balances of securities loaned by FIM, computed on a month-end basis.

For the six month period ended June 30, 1969, FIM received $1,576,000 in gross interest income from lending FOF Prop securities, of which $930,000 was accrued for fees payable to FOF Prop.

COMMERCIAL AND INVESTMENT BANKING

IOS Financial Holdings Limited (*"Financial Holdings"*), a company incorporated on March 29, 1968, is a wholly-owned subsidiary of the Company and acts as a holding company through which the Company's commercial and investment banking operations are conducted. With the exception of one bank which acts as custodian to a Company-managed fund (pursuant to local legal requirements), subsidiary banks do not make loans to or accept deposits from Company-managed investment funds or their respective management companies. At June 30, 1969, Financial Holdings and subsidiaries had a net worth of $18,926,000 and held deposits by customers and unaffiliated banks of $109,287,000. Consolidated net income for the year ended December 31, 1968 was $3,685,000 and for the six month period ended June 30, 1969 was $4,762,000, as compared to $1,473,000 for the comparable period in 1968. The activities of Financial Holdings are carried on through the following major subsidiaries:

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.



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as investment banker in arranging a number of private placements; received soliciting dealer fees in tender and exchange offers accepted by Company-managed funds; and, as an approved overseas representative of a London Stock Exchange member firm, shared in customary brokerage commissions arising from transactions of certain Company-managed mutual funds on The Stock Exchange, London.

Other

IOS Acceptance Company Limited engages in the financing of margin loans for owners of shares of IOS-sponsored mutual funds and the refinancing thereof with various unaffiliated banks. On June 30, 1969 the amount of such loans outstanding was $35,080,000. These collateralized loans are rediscounted with ODB and unaffiliated banks on a revolving credit basis.

Financial Institution Management N.V. is engaged in arranging and servicing stock loan transactions with securities owned by FOF Prop. Particulars of these transactions are set out on page 13 hereof.

REAL ESTATE SALES AND MANAGEMENT

All the real estate and related activities of the Company are conducted by subsidiaries of *IOS Real Estate Holdings Limited* (*"Real Estate Holdings"*), a wholly-owned subsidiary of the Company.

Promotional and Sales Activity

The Company's real estate promotional and sales operations are conducted through *Investors Development Corporation Limited* (*"Indevco"*), which is engaged in the location, creation, advertising, sales promotion, development and sales of real estate projects. Indevco has trained a group of real estate specialists who work in close association with the Company's sales organization in selling the real estate products offered by the Company. To date, these products have been in the form of condominium apartments, houses and parcels of land which have been sold through the Company's sales force almost entirely outside of the United States, primarily to non-United States persons, and have been marketed principally as investments.

Indevco's principal source of revenue has been commissions derived from the sale of condominium apartments in Playamar in Torremolinos, Spain, and in The Hemispheres in Hallandale, Florida.

Playamar is located on the Costa del Sol and when completed will consist of 21 fifteen storey buildings, containing a total of 973 apartments, two clubs, swimming pools and related facilities. Indevco started selling the apartments in 1966 and exercised substantial control in overall project development. At June 30, 1969, nine of the 21 buildings had been completed; 315 of the 973 apartments were occupied or available for occupancy and 840 apartments out of a total of 877 apartments available for sale had been sold by Indevco.

The Hemispheres is located in Hallandale, Florida, and when completed will consist of 1,295 condominium apartments located in three 23-storey buildings and one 19-storey building, with a beach club, marina and other attendant facilities. At June 30, 1969 the four buildings were in the process of construction, and 1,024 apartments had been sold by Indevco. The apartments range in price from $16,500 to $83,300.

To date, Indevco has been able to sell apartments successfully in the projects it has marketed prior to their completion and in some cases at very early stages of construction. For this reason, and because of the relatively long construction period in Spain during which sales could be concentrated, cash received from customers was sufficient to cover construction costs without outside financing. An analogous situation is developing with The Hemispheres, but it is anticipated that some financing will be received from Investment Properties International, Limited, the parent company of the developer of The Hemispheres, due to the shorter construction period in the United States.

In both of these projects, the Company conceived and created the product marketed. The cost of the location of sites, and advertising, rental, marketing and promotional expenses are borne by Indevco out of its sales commissions.

In the Playamar project, Indevco realized net income of 12.9% of the sale price of the units sold. From The Hemispheres project, the Company's net income is projected to be in the same percentage range.

Indevco's real estate marketing activities have been undertaken in conjunction with the ownership investment activities of Investment Properties International, Limited (whose initial real property investments were formerly held by the Real Estate Growth Fund account of FOF Prop). It is anticipated that this relationship will continue, although the interest of Investment Properties International, Limited in future developments may be as a joint venturer with other investors. Currently, projects for condominium

apartments for the retired in Hamburg and Muni[illegible]e in preparation as well as [illegible]her condominium project in Florida.

Indevco's net income for the six months ended[illegible]e 30, 1969 was $921,200, as [illegible]pared to $918,308 for the comparable period in 1968.

Real Estate Management and Resale

Since the apartments are sold principally as inv[illegible]ents to absentee owners, subsid[illegible]s of Real Estate Holdings offer to manage the apartments for the [illegible]s for a fee equal to 10% of the rent received.

In Spain, *Property Management S.A.* and [illegible]*rty Ma[illegible]t Limited* provide resale, rental and maintenance services for the apartments at [illegible]ar. To [illegible] provision of these services, Real Estate Holdings has entered into a manage[illegible]ement with a major European travel agent and management organization. *Indevco Man[illegible]ation, N.V.* makes similar facilities available in Florida. Indevco will also act as agent for[illegible]n case of resales at a commission of 10% of gross resale price.

Real Estate Investment

On June 20, 1969, the Company offered to t[illegible]e shares of *Investment Properties International, Limited* ("*IPI*"), a closed-end investment comp[illegible]d the Company's first investment product which was not a vehicle for investment in marketable secu[illegible] IPI received $108,125,000 in net proceeds. Of this offering, approximately 84% was distributed thro[illegible]e Company's sales organization, 6% was sold through a banking group headed by Investors Overseas B[illegible]imited and Investors Bank Luxembourg, and the remaining 10% represented the consideration (in sh[illegible]of IPI) received by the Real Estate Growth Fund account of FOF Prop for the sale of the real property previously held by it to IPI. Each share of IPI entitles the holder thereof to a stock purchase warrant, which may be exercised from January 2, 1971 through December 31, 1974. If fully exercised, the warrants will result in additional equity to IPI, ranging from $116,892,000 to $169,493,000, depending on the date of exercise. IPI is an Ontario (Canada) corporation which at July 31, 1969, had 8% of its assets invested in various properties located in the United States, 3% outside of the United States, and the remaining 89% in cash and short term money market obligations. IPI intends to invest a substantial portion of its assets in the acquisition and construction of deluxe hotels throughout the free world. To facilitate these plans, the Company has entered into a joint venture agreement with a major United States hotel organization under which IPI will provide construction capital and the joint venturer will provide management of the completed hotel.

IPI is managed by *IPI Management Company Limited* ("*IPI Management*"), a wholly-owned subsidiary of IOS Management. For managing IPI, IPI Management receives a fixed fee equal to 1/24th of 1% per month (½ of 1% per annum) of the net amount invested on original issues of shares of IPI and an incentive fee paid semi-annually equal to the total of 10% of (i) all net realized gains on the sale of capital assets other than securities, (ii) all net realized and unrealized securities gains, (iii) all net interest and dividend income and (iv) the tax-free cash flow to IPI available for distribution to shareholders by reason of operation of real properties or mortgage refinancings. The net amount invested on the original issue of shares of IPI was $108,125,000. No incentive fee is paid with respect to net realized or unrealized securities or capital gains during any semi-annual period until any previous net realized and unrealized securities or capital losses have been fully offset. Neither IPI Management nor any of its affiliates charges any real estate brokerage to IPI, and IPI Management uses its best efforts to keep to an absolute minimum real estate brokerage fees which might otherwise be payable by IPI to third persons in connection with the acquisition or disposition of properties. However, to the extent that the price paid by IPI or proceeds received by IPI may not be adversely affected, affiliates of IPI Management may share in usual and customary real estate brokerage paid by persons selling properties to or acquiring properties from IPI. The Company has agreed with IPI Management to bear the cost of certain administrative and advisory services in consideration of the assignment by IPI Management to the Company of the said semi-annual incentive fee.

Engineering and Construction

Real Estate Holdings has recently established a wholly-owned subsidiary, *The IOS Engineering and Construction Company Limited*, to supervise, on a contractual basis, the construction of the various real estate products marketed by Indevco, or owned and constructed by IPI or its affiliates. Currently, the new subsidiary is supervising the construction of an office building in Kenya, on behalf of The Equity Unit

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

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DEVELOPMENT AND EXPANSION PROGRAM

The continuing policy of The IOS Group is the development of existing financial services to its customers and the addition of other related or complementary businesses. Currently, within the mutual fund sales and management, commercial and investment banking, real estate sales and management and life insurance activities of the Group, the following programs are being pursued:

(a) Planning of national mutual funds specifically designed for the countries in which they are to be sold. National funds are planned for Australia, France, the United Kingdom and South America;

(b) Planning of specialized investment companies. Investment Properties International, Limited, initially offered on June 20, 1969 as part of this development program, is designed to take advantage of growth situations in income producing real estate. An IOS natural resources fund is also in prospect;

(c) The provision of investment management services to institutional, pension fund and other large investment portfolios. The first of such programs has been initiated with the formation of a company in England;

(d) Expansion of the Group's insurance and banking activities, which has already resulted in the formation of "I.V.M." (De Internationale Verzekering Maatschappij) N.V. (Holland), the acquisition of a 33⅓% interest in the Swiss General Insurance Company (Australia) and the acquisition of Banca Provinciale di Depositi e Sconti S.p.A. (Italy); and

(e) Development and sale of new real estate projects. The first, planned for the near future, is a condominium community of 175 acres called "The Waterways" to be developed on a joint-venture basis in Florida. The second consists of the development of two 450-unit retirement communities in Hamburg and Munich, Germany. The third is the coordination of a joint-venture arrangement with a major United States hotel management firm with respect to hotel projects outside the continental United States.

IOS Development Company Limited (*"IOS Development"*) is responsible for implementing this growth-oriented policy of The IOS Group and is also responsible for investigating and establishing new lines of activities. In 1967, the present management and personnel of IOS Development organized Fonditalia, believed to be the first mutual fund designed expressly to meet the legal and economic requirements for mass distribution in the Republic of Italy. Fonditalia Management, the investment manager for Fonditalia, was formerly a subsidiary of IOS Development. In November of 1968, IOS Development sold all the shares of Fonditalia Management to IOS Management.

The present management of IOS Development also established Investors Fonds and Investors Fonds KAG (described on page 11 hereof). In addition, Sterling Management (described on page 12 hereof) and IVM Management (described on page 12 hereof) are wholly-owned subsidiaries of IOS Development.

THE IOS FOUNDATION

The IOS Foundation, supported by The IOS Group, its employees and associates, is dedicated to the development of humanitarian projects throughout the world.

Projects receiving IOS Foundation support have ranged from a village for emotionally disturbed children in Canada to a home for the handicapped in Malta; from literacy campaigns in Iran and Italy to a school for retarded children in South America and an institute for the deaf in Africa; from a center for the children of working mothers in Bolivia to a school for the children of Karen tribesmen in a remote mountain region of northern Thailand.

The Company intends to continue its previous policy of making contributions to the IOS Foundation.

OTHER ACTIVITIES OF THE IOS GROUP

In addition to its business operations described above, the Company is also engaged in the publication of an English language weekly newspaper in Geneva and a monthly business magazine, the publication and sale of an investment advisory service to private subscribers and the development and operation of a wide variety of computer programs. In addition, a corporation has been established to engage in business related to the communications field. To date, none of these activities has significantly contributed to operating results.

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ment of gains realized by German residents who hold shares of such funds. The Company does not anticipate that this will adversely affect its operations in Germany. All mutual funds managed by The IOS Group except FOF are registrable for future sale in Germany under the new regulatory provisions. The tax aspects of the new laws will cause all or a portion of dividend and interest realized by a foreign mutual fund to be taxed to a German holder of mutual fund shares whether distributed by the fund to the holder or not. Under previous laws, Germans holding German mutual funds were subject to tax on fund net dividend and interest income while holders of non-distributing foreign funds were not. The Company has organized a new mutual fund, IOS Growth Fund Limited, based on the principle of competitively managed separate portfolios with separate portfolio advisors compensated on a performance basis. The new fund will not invest in other funds and will thus qualify in Germany for future distribution. Existing German holders of capital accumulation programs for the acquisition of shares of FOF will be offered the opportunity to complete their programs by acquiring shares of the new fund. To protect existing German shareholders of FOF from some disadvantage in tax treatment to which they might be subject under the tax provisions of the new laws, they will be offered the opportunity, without charge, to substitute shares of this new fund for the shares of FOF held for them under The IOS Investment Program.

While regulatory restrictions vary widely from country to country, the above described types of regulations are those which represent the most substantial limitations on flexibility of operations of the Company's mutual fund business.

Insurance

The conduct of an insurance company and the distribution of insurance policies are highly regulated activities. All of The IOS Group's operating insurance subsidiaries are subject to varied regulation by competent governmental authority in the jurisdiction of organization. The distribution of insurance policies is also affected in the countries where sold by the availability, under local exchange control regulations, of currency convertible into the currency of the issuer to pay the premium and by restrictions or licensing requirements on the sale of insurance policies (particularly life) by foreign companies.

ILI/UK is itself a resident of the sterling area and can therefore receive premium payments not only from residents of the United Kingdom, but from residents of other sterling area countries which do not impose restrictions on sterling movements within the sterling area. Additionally, ILI/UK has been able to accept premium payments from some countries in the sterling area which impose such restrictions on condition that compensating investments are made locally. Under the treatment afforded United Kingdom insurance companies under licensing regulations of some other countries of the sterling area, ILI/UK has been able to qualify to issue life policies in such countries.

ILI/LUX can generally accept premium payments free of exchange control in any country where The IOS Investment Program can be offered against direct payment in a freely convertible currency. However, local prohibitions against the sale of life policies by foreign issuers or other licensing requirements limit the distribution of ILI/LUX policies even in many such countries. In some such countries The IOS Group utilizes its sales force to distribute CAPINS coverage provided by local issuers or term policies of local issuers under arrangements by which all or part of the risk is reinsured with one of The IOS Group's insurance subsidiaries.

To overcome the restrictions imposed on the distribution of policies of foreign insurance companies, The IOS Group has recently begun the organization and development of local life insurance companies. A fully licensed Dutch insurance company was organized in 1969 as the first of these. This is a program analogous to national fund development in the mutual fund operations of The IOS Group and is expected to continue at an accelerated rate in the future.

United States Securities Business

In May of 1965, the United States Securities and Exchange Commission (the "SEC") instituted a private investigation of the affairs and activities of the Predecessor Company. In the following months the SEC requested, and the Predecessor Company supplied, extensive documents and exhibits setting forth detailed information concerning the affairs and activities of the Predecessor Company. However, in the course of its private investigation, the SEC had demanded that the Predecessor Company provide to the SEC a full listing of investors in FOF and IIT, together with a detailing of their individual accounts. The Predecessor

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Company refused to comply with such demand, contending that the SEC lacked jurisdiction as to the sale of securities occurring wholly outside the United States and contending further that the Predecessor Company was precluded from giving such information by applicable laws requiring that such information be kept in the strictest confidence, as well as by the custom of most countries wherein the Predecessor Company had sold such securities.

In December of 1965, the Predecessor Company brought suit against the SEC in the United States District Court for the District of Puerto Rico, alleging a lack of jurisdiction on the part of the SEC and seeking a Declaratory Judgment that the Predecessor Company be permitted to withdraw from registration as a broker-dealer under the United States Securities Exchange Act of 1934. (Such registration had been effected by the Predecessor Company "under protest" in 1960.) In addition, a preliminary injunction was sought from the Court against any continuation of the SEC's private investigation until a final determination of the issues was made by the Court.

In February 1966, the SEC issued an Order for public hearings. In such Order allegations were made concerning violations of provisions of the United States Securities Exchange Act of 1934 and the Investment Company Act of 1940 by the Predecessor Company and six associated individuals. The public hearings called for a presentation of evidence concerning such alleged violations and a determination as to whether a revocation of the Predecessor Company's broker-dealer registration was "in the public interest". The preliminary injunction requested by the Predecessor Company against the SEC was denied by the Federal District Court and an appeal from such denial was filed with the United States Court of Appeals for the First Circuit. While such appeal was pending, before any trial of the issues involved in the suit by the Predecessor Company against the SEC and before any public hearings were held pursuant to the SEC Order, and after months of protracted negotiations and discussions between the Predecessor Company's representatives and the staff of the SEC, the Predecessor Company submitted an Offer of Settlement to the SEC and the SEC issued (on May 23, 1967) an Order accepting the Predecessor Company's Offer of Settlement.

The SEC Order contained no findings of fact or violations of law. Pursuant to the Order: (a) the Predecessor Company was permitted to withdraw its registration as a broker-dealer; (b) the Predecessor Company agreed that it would not engage thereafter in the offering or sale of securities to United States citizens or residents, wherever located, with the exception of officers, directors and persons associated with the Predecessor Company on a full time basis; (c) the Predecessor Company disposed of its entire interest in Investors Planning Corporation ("IPC") on a basis acceptable to the SEC; (d) the Predecessor Company agreed to refrain from future activities falling within the jurisdiction of the SEC; (e) the Predecessor Company agreed to cause the future investments of FOF in securities of United States investment companies to come within such percentage limitations as are applicable to United States investment companies seeking to make such investments and (f) the Predecessor Company has taken a series of steps intended to secure compliance with the terms of the Order, and to accomplish a severance of activities within the jurisdiction of the SEC.

On August 15, 1969 the Company, without admitting certain alleged violations of the registration provisions of United States securities laws (arising from the sale of 40,000 shares of Revenue Properties Corporation stock on the American Stock Exchange), consented to the issuance of a court order enjoining sales of unregistered shares in the United States.

Prior to the sale of its business, IPC engaged in certain reciprocal commission and commission sharing arrangements, the propriety of which has been questioned by the SEC. For more than a year, the SEC has warned that it might institute one or more administrative proceedings against certain stock exchange member firms, IPC and individuals connected with IPC. Since the Predecessor Company controlled IPC during the period involved, the SEC has indicated that a proceeding might be directed against the Predecessor Company and its principal officers, on the theory that they failed to supervise adequately the activities of IPC. The Company has been advised by its United States counsel that in the opinion of such counsel, the reciprocal commission and commission sharing practices engaged in by IPC were in accordance with then applicable law, and any action based on them would be without merit.

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CONVERSION RIGHTS

The Company may from time to time permit a registered holder of preferred shares to convert a specified number of such preferred shares into common shares on the basis of one common share for each preferred share converted. The Company may not authorize more than 20% of the preferred shares outstanding on January 1 in any year to be converted into common shares in such year.

RESTRICTIVE PROVISIONS

Without the approval of the holders of each class of shares of the Company given in the manner specified in the provisions attaching to such shares,

(i) no additional preferred shares of the Company may be issued except under The IOS Stock Option Plan or as a result of the payment of a stock dividend;
(ii) no new classes of shares may be created,
(iii) none of the provisions attaching to the shares of the Company may be amended,
(iv) none of the shares of the Company may be consolidated, reclassified or changed,
(v) the Company may not voluntarily wind-up or dispose of its assets as an entirety, and
(vi) the Company may not amalgamate or merge with or into any other company.

PLAN OF DISTRIBUTION

Under an agreement made between J. H. Crang & Co. (the "Canadian Underwriter"), the Company and a number of shareholders of the Company (the "Selling Shareholders"), the Canadian Underwriter has agreed to purchase, as principal, and the Selling Shareholders have agreed to sell 1,300,000 of the common shares offered hereby at a price of $9.50 (U.S.) per share. The Canadian Underwriter has also agreed to purchase, as principal, and Investors Overseas Bank Limited ("IOB") has agreed to sell, as agent for the Selling Shareholders, the remaining 150,000 common shares offered hereby at a price of $9.50 (U.S.) per share. The Canadian Underwriter has agreed to offer the said 150,000 common shares in Canada to executives and sales personnel of The IOS Group, to certain investors in mutual funds managed by The IOS Group and to other persons having continuing business relations with The IOS Group. The aggregate purchase price of the said 1,450,000 common shares is payable in cash by the Canadian Underwriter against delivery on or about October 15, 1969.

The obligations of the Canadian Underwriter to take up the said 1,450,000 common shares are subject to fulfilment of certain conditions precedent. The Canadian Underwriter is committed to take up and pay for all the shares which it has agreed to purchase if any of such shares are taken up.

The Canadian Underwriter, together with other investment dealers in Canada, will effect primary distribution of the 1,450,000 common shares hereby offered to the public in Canada at the price set forth on the cover page of this prospectus.

OTHER OFFERINGS

The Selling Shareholders have agreed with IOB that IOB, acting as their agent, will make, or cause to be made, a public offering of 4,192,000 common shares of the Company owned by the Selling Shareholders. Pursuant to such agreement and as indicated above under the heading "Plan of Distribution", IOB has agreed to sell to the Canadian Underwriter 150,000 common shares of the Company owned by the Selling Shareholders. In addition, contemporaneously with the offering of 1,450,000 common shares by the Canadian Underwriter, IOB will offer the remaining 3,942,000 common shares owned by the Selling Shareholders at a price of $10 (U.S.) per share to approximately 25,000 persons outside Canada, including executives and sales personnel of The IOS Group, certain investors in mutual funds managed by The IOS Group and other persons having continuing business relations with The IOS Group. IOB is entitled to receive a commission of $.50 (U.S.) per share in respect of each of the 3,942,000 common shares so offered.

Under an agreement made between the Company and a group of United Kingdom and European underwriters (the "Foreign Underwriters"), the Company has agreed to issue and sell and the Foreign Underwriters have agreed to purchase [illegible]0,000 common shares of the Company at a price of $9.675 (U.S.) per share. Contemporaneously with the offerings of the Canadian Underwriter and IOB referred to above, the Foreign Underwriters will offer the said 5,600,000 common shares to the public outside Canada, the United States and Mexico at a price of $10 (U.S.) per share.

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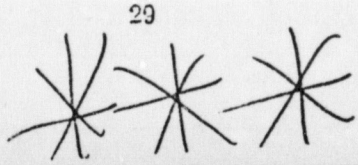

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Directors and Officers	Home Address	Company Office Held	Principal Occupation(s) within the five preceding years
JAY FRANCIS LEARY	53 route de Suisse, Nyon, Vaud, Switzerland	Assistant-Secretary	Attorney, associated with Willkie Farr & Gallagher, (a firm of lawyers), New York City (1963 to 1967); officer of various subsidiaries of the Company (1967 to date)
MELVIN LECHNER	4 place de L'Etrier, Chêne-Bougeries, Geneva, Switzerland	Treasurer	Certified Public Accountant, Finance Division, Predecessor Company (1966 to present), Associated with Arthur Andersen & Co. (a firm of accountants), New York City (1960 to 1966)
ERICH MENDE	Am Stadtwald, Bad Godesburg, Germany	Director	President, Investors Overseas Services in Deutschland GmbH (1967 to present), Vice Chancellor and Member of Bundestag, Republic of West Germany (1949 to present)
GEORGE VON PETERFFY	6 Coolidge Hill Road, Cambridge, Mass., U.S.A.	Director	Associate Professor, Harvard Business School Boston, Massachusetts, U.S.A.
NORMAN ROLNICK	1249 Avully, Geneva, Switzerland	Assistant Treasurer	Comptroller I.O.S., Ltd. (S.A.)
JAMES ROOSEVELT*	Villa Beauvoir, 97 chemin de Ruth, Cologny, Geneva, Switzerland	Director	President and Director, IOS Development Company Limited (1967 to present), Permanent U.S. Representative to Committee II of the United Nations and Member of Delegation from the United States to the United Nations General Assembly (1965-1966), Member of the United States House of Representatives (1952-1965)

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

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Directors and Officers	Home Address	Company Office Held	Principal Occupation(s) within the five preceding years
LAWRENCE ROSEN	Chemin des Palettes 31, Grand Lancy, Geneva, Switzerland	Assistant Secretary	Officer of Predecessor Company's Sales Organization
MARTIN SELIGSON*	Chemin des Hauts-Crets 19, Cologny, Geneva, Switzerland	Director	President, Investors Development Corporation Limited (1964 to present), President and director, Atlantic Improvement Corporation, (a real estate development company), New York City (1960 to 1964)
BARRY HARMAN STERLING*	41 Avenue Foch, Paris, France	Director	President, IOS Financial Holdings Limited (1968 to present) General Manager, IOS Development Company Limited (1967-1968), Senior Partner, Hindin, Sterling, McKittrick & Powsner, (a firm of lawyers), Beverly Hills, California (1960 to 1967)
ROBERT SUTNER	299 Highland Avenue, Ridgewood, New Jersey, U.S.A.	Director	Officer of Predecessor Company's Sales Organization
GEORGE TREGEA*	Quai Wilson 43, Geneva, Switzerland	Director	Senior Officer of Predecessor Company's Sales Organization
ELI WALLITT*	57 route de Collex, Bellevue, Geneva, Switzerland	Director	Field Director (1964 to present) and General Manager (1959 to 1964), Investors Overseas Services
IRA WEINSTEIN	12 Rosemount Avenue, Westmount, Quebec, Canada	Director	President, I.O.S. of Canada Ltd.
SIR ERIC WYNDHAM WHITE*	1, Place de la Taconnerie, Geneva, Switzerland	Vice-President and Director	Vice-President, I.O.S., Ltd. (S.A.) (1968 to present), Director General, General Agreement on Tariffs and Trade (GATT)

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Directors and Officers	Home Address	Company Office Held	Principal Occupation(s) within the five preceding years
WILSON WATKINS WYATT.....	1001 Alta Vista Road, Louisville, Kentucky, U.S.A.	Director.....	Senior Partner, Wyatt, Grafton and Sloss, (a firm of lawyers), Louisville, Kentucky, U.S.A. (1963 to present), Lieutenant-Governor, State of Kentucky (1959 to 1963)

*Denotes Member of Executive Management Committee ("the Committee"). The by-laws of the Company vest in the Committee all residual powers of the board of directors in the interim between meetings of the directors and empower the Committee to take all action that might be taken by the board. The Committee is appointed by the board annually and holds regular meetings at least monthly. All directors who are not specifically appointed to the Committee are invited to attend and vote at all meetings. Mr. Edward M. Cowett is the Chairman of the Committee.

**Denotes ex-officio, non-voting member of the Committee.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration (exclusive of commissions) paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company as a group during the financial year of the Company ended December 31, 1968, was nil and during the seven months ended July 31, 1969 was $128,000.

The aggregate direct remuneration (exclusive of commissions) paid or payable by the Predecessor Company and its subsidiaries to the directors and senior officers of the Predecessor Company (all of whom are now directors and/or senior officers of the Company) as a group during the financial year of the Predecessor Company ended December 31, 1968, was $1,122,000 and during the period ended July 31, 1969 was $770,000.

ESCROWED SHARES

Under the Company's Stock Option Plan, The IOS Stock Option Plan Limited has the right, in certain events, to repurchase preferred shares acquired by participants under such Stock Option Plan and, in certain cases, The IOS Stock Option Plan Limited may elect to effect such a repurchase on an instalment basis over a period of five years. During such five year period any preferred shares being so repurchased are held in escrow by Crédit Suisse, Zurich, Switzerland. As of the date hereof 600,280 preferred shares were so held in escrow.

PRINCIPAL HOLDERS OF SECURITIES

No person or company owns beneficially, directly or indirectly, at the date hereof more than 10% of either class of shares of the Company except as indicated in the following table:

Name and Address	Designation of Class	Type of Ownership	Number of shares Owned	Percentage of Class
Bernard Cornfeld 218 rue de Lausanne Geneva, Switzerland	Common	Of record and beneficially	820,448	15.21%
	Preferred	Of record and beneficially	7,384,064	16.92%

At the date hereof the directors and senior officers of the Company as a group beneficially own, directly or indirectly, 40.6% of the issued common shares and 40.2% of the issued preferred shares of the Company.

Each Selling Shareholder is selling all the common shares he owns and as a result, none of the Selling Shareholders will own any common shares after the completion of this offering. Particulars of the number of

All dollar figures herein, unless otherwise indicated, are in Canadian Dollars.

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Document 3 of Appendix II to Plaintiff's Memorandum of Law in Opposition to Defendants' Motions ("Appendix II")

A It would have been in--well, the first thing he had to do with the IOS public offering was in, I would say, March and April 1969, when he was sent together with Mr. Browning to Geneva to make a study of the company.

Q Who is Mr. Browning?

A Mr. Browning was a vice president of Drexel, Harriman.

Q What areas did he specialize in, if any?

A Corporate finance.

Q Was he under Mr. Sonne?

A He was about on the same relative level as Mr. Sonne. He was a vice president, a lawyer, formerly associated with Sullivan & Cromwell.

Q Was he also in New York?

A Yes.

Q Who decided that Mr. Sonne and Mr. Browning should go to Geneva in March or April 1969?

A I think that decision was made jointly by Mr. Berry and myself.

Q Where did you make that decision?

A In the United States.

Q In New York or Philadelphia?

A I don't remember.

Q Did you consult with anyone else before making

that decision?

A I think it was probably discussed by the executive committee.

Q Where did the executive committee discuss it?

A The executive committee met one week in New York and one week in Philadelphia and I can't tell you offhand which place it was.

Q Do you recall being present at the executive committee meeting in which sending Mr. Browning and Mr. Sonne to Geneva was discussed?

A I don't specifically recall it, but I probably was.

Q Do you recall what was said at that meeting?

A No.

Q Do you recall whether any other personnel was suggested to accompany them?

A Not for this preliminary investigation.

Q Did any other personnel accompany them?

A I don't believe so.

Q Who informed Mr. Browning that he was to go to Geneva?

A I don't remember.

Q Who informed Mr. Sonne?

A I don't remember.

Q Were they--

A It would have been either Berry or myself.

Q And they would have been informed in New York, Mr. Sonne and Mr. Browning?

A Yes.

Q And they would have left from New York to Geneva?

A Presumably.

Q Now, prior to the merger of Drexel with Harriman & Ripley, had Drexel been lead underwriter in any major underwritings?

A Yes.

Q Approximately how many?

A Oh, I can't tell you, but many, many.

Q And after the merger of Drexel with Harriman, Ripley, was the combined firm the lead underwriter in any public offering?

A A substantial number.

Q Was Drexel, Harriman & Ripley the lead underwriter in any offering of American securities abroad prior to the IOS offering?

A American securities abroad?

Q Yes.

A Well, I can't remember the dates, but we did manage Eurodollar issues for Deere & Company and for

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Document 4 of Appendix II

Q What was the second meeting?

A Well, between the time of the meeting I just mentioned and the next meeting, there were several--when I say "several," perhaps two telephone conversations with Edward Cowett in connection with the concept of ISO going public.

Q Did you place the calls or did Mr. Cowett place the calls?

A I think I would have placed the calls.

Q Where did you place them to?

A Geneva.

Q Your phone records would indicate that; is that correct?

A Yes.

Q Now let's stick with meetings. When was the second meeting that you attended outside of Canada?

A Sometime towards the end of April I was in New York on other business; I ran into Mr. Cowett at, to the best of my recollection it was Arthur Lipper's office. I had breakfast with him the following morning at the Carlyle Hotel.

The principal reason for that meeting was not to discuss the IOS underwriting, but it was in connection with ISM, if I can phrase it that way, or

Trans-Global, the secondary, to discuss the upcoming dividend payment, quarterly dividend.

During the conversation we naturally discussed again the concept of IOS, Ltd. going public.

And the reason I say concept, is that up until that point, I had been led to believe that it was the intention to allow the subsidiaries of IOS, Ltd. to go public, as in fact one of them had, Trans-Global. And this was a complete change-around of abandoning that course and letting the parent go public right away.

We discussed at that time the general concept of the underwriting, because we thought it was a very exciting company. I urged him to give consideration to Crang & Company doing a Canadian underwriting. As I recall, I even tried to get the whole underwriting.

And I recall Cowett saying, well, of course we weren't big enough, and we were strictly Canadian, and this would be a world-wide underwriting.

To my knowledge, that is pretty well all that took place at that meeting. The main thing was that we urged him to allow us to take a portion of the underwriting, and do a Canadian underwriting.

Q Who else was present at that meeting?

A Just myself.

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Q Just yourself and Mr. Cowett?

In Mr. Lipper's office?

A No, it was at the Carlyle Hotel.

Q At Mr. Lipper's office who was present?

A When I met Mr. Cowett Arthur Lipper was there, and there were people coming in and out; they were engaged in other discussions.

Q Who participated in your meetings with Mr. Cowett?

A At the Carlyle Hotel, just myself.

Q At Arthur Lipper's office.

A There was no meeting at Arthur Lipper's office.

Q But in your conversation with Mr. Cowett, was there any other person who participated in that conversation?

A No. The conversation concerning the IOS, Ltd. underwriting only took place at the breakfast meeting at the Carlyle Hotel, and there was only myself present.

Q How did you happen to be in Arthur Lipper's office that day?

A I have known Arthur Lipper ever since 1967, and anytime I was in New York, I dropped in to say hello to him; always do.

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Document 5 of Appendix II

behalf of Shearman & Sterling or on behalf of clients of Shearman & Sterling in the preparation of material for a public offering of securities?

A Yes.

Q Are you the senior partner at Shearman & Sterling in the field securities regulation?

A Well, I am not the senior partner of the firm. My senior partner is Fred Eaton, and I suppose that he is the senior partner in securities matters.

Q Did you participate in the IOS public offering?

MR. SCHWARTZ: I object to the form of the question.

MR. KING: I do, too.

Q Did there come a time when you were asked by Drexel Harriman Ripley to represent it and other underwriters in connection with a public offering of IOS securities?

MR. SCHWARTZ: Could I have that back.

(The question was read back by the reporter.)

A Yes, my firm was asked to represent Drexel Harriman Ripley.

Q Were you the partner in charge?

A Yes.

Q When, for the first time, were you notified that

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your firm would be asked to represent Drexel?

A It was early in May. I think it was May, 1969. It was thereabouts.

Q Who asked you?

A Mr. Harold Berry.

Q Did he do so on the telephone or in person?

A On the telephone, I think.

Q At the time you were asked, in May of 1969, was it --

A Yes.

Q Were you familiar with IOS?

A No.

Q Had you or your law firm ever represented IOS in any prior matter -- in any matter?

A I don't believe so.

Q Did you agree to represent Drexel Harriman in connection with that offering?

A Well, not at that particular time.

Q At some subsequent time?

A Yes.

Q Who were the attorneys at Shearman & Sterling who worked along with you in that representation?

A My partner, Thomas Mangle, Thomas Jowce, who at that time was a senior associate and since has become

a partner in the firm; Brice Voran, an associate; Bob Rich, who was in our Paris office and to a considerably lesser extent, Stanley Rubinfeld, and then in connection with one very limited matter, Paul Butler.

Q Any other attorneys?

A Not that I recall.

Q Did you discuss the representation of Drexel in the IOS matter with Mr. Eaton?

A Yes.

Q Was it discussed with members of an executive -- does Shearman & Sterling have an executive committee?

A We have what we call a management committee which corresponds pretty much to the executive committee.

Q Did the question of whether Shearman & Sterling should represent Drexel in the IOS underwriting come before Shearman & Sterling's management committee?

A Not that I recall.

Q Did you, Mr. Murphy, discuss the question of whether Shearman & Sterling should represent Drexel with any of your partners at Shearman & Sterling?

A Yes.

Q With which partners?

A Well, with Mr. Eaton in particular and I mentioned it to several others. It is a little hard to

remember now who they were but Mr. West was one.

Q Anybody else that you can remember?

A Not that I can remember but I am quite sure I mentioned it to others.

Q Were your partners in agreement that Shearman & Sterling should undertake the representation of Drexel Harriman in the IOS offering?

A Yes. They were in agreement that I should go ahead.

Q On how many occasions do you recall that you discussed the possible representation of Drexel in the IOS offering?

A I don't recall.

Q More than one occasion?

A I just don't recall. I would assume so but --

Q Was there extensive conversation on the matter?

MR. SCHWARTZ: I object to the form of the question.

Q Did you go into details with your partners, Mr. Eaton, Mr. West and others that you may have discussed the matter with, concerning this representation?

A I don't know what you mean by details.

Q Well, did you discuss it fully?

MR. SCHWARTZ: I object to the form of the

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question.

Q Well, I press for an answer.

MR. SCHWARTZ: I didn't instruct him not to answer.

Q You may answer.

MR. SCHWARTZ: You may answer.

THE WITNESS: I thought you said --

MR. SCHWARTZ: I said I did not instruct you not to answer.

THE WITNESS: What is the question, again?

Q Did you discuss it fully with those partners?

MR. SCHWARTZ: I repeat my objection to the form of the question. You may answer.

A I discussed it as fully as seemed necessary.

Q Did you prepare any memoranda for their consideration?

A No, I don't believe so.

Q Did you instruct any of your associates or partners to prepare any memorandum concerning the initial question of whether Shearman & Sterling should represent Drexel & Harriman in that offering?

A No.

Q About how many hours did you spend in discussion with your partners on the issue, if you recall?

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Document 9 of Appendix II

Q Did you have more than one meeting with Mr. Haft?

A I don't recall.

Q But you do recall having at least one meeting with Mr. Haft?

A Yes.

Q And that meeting took place in New York, is that correct?

A Yes.

Q Where in New York did it take place?

A I think he came to our office.

Q Who arranged the meeting?

A I don't remember.

Q Who was Mr. Haft representing?

A He represented ISO in connection with difficulties they had had with the SEC.

Q What was the purpose of your meeting with Mr. Haft?

A I wanted to find out about those difficulties.

Q And did Mr. Haft inform you concerning those difficulties?

A Yes.

Q What were the nature of the difficulties?

A Well, the SEC had brought a proceeding back in

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'66 against ISO and in that proceeding they alleged violations of Section 5 of the Securities Act and Section 7 of the Investment Company Act having to do with the sale of unregistered securities, and also it involved Section 17 of the 1934 Act having to do with the keeping of records by registered broker-dealers, and I think it involved some allegations under Section 17-D of the 1940 Act having to do with joint transactions between investment companies and their affiliates.

Q Other than your meeting with Mr. Haft, did you or any attorneys at Shearman & Sterling investigate further IOS's problems with the SEC?

A Yes, we looked into them further. We naturally read a number of papers involved in that proceeding with the SEC and a settlement order.

Q Where did you get copies of those papers?

A I don't really remember where we got them.

Q From whom did you get them?

A I don't really remember.

Q Where were they read, in New York?

A I would guess so.

Q By whom?

MR. SCHWARTZ: You are not supposed to guess.

Q Well, what is your best rollection?

A I really don't remember where we read them.

Q Who read them?

A I did.

Q Anybody else at Shearman & Sterling?

A I don't know.

Q And you don't recall where you read the material?

A I really don't recall.

Q And you don't recall who furnished you with the material?

A No.

MR. BUSCHMAN: Excuse me. Can I ask two questions on the voir dire?

MR. SILVERMAN: On the voir dire? I don't know if we have a jury here.

MR. BUSCHMAN: Can I just ask two questions to clarify the record, then?

EXAMINATION BY MR. BUSCHMAN:

Q Mr. Murphy, was it your understanding that when the proceedings were brought in 1966, would you describe that ISO was a registered broker-dealer?

A My recollection is that it was a registered broker-dealer.

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D-2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF THE SECRETARY

JUN 6 1969

Grayson M. P. Murphy, Esq.
Shearman & Sterling
20 Exchange Place
New York, New York 10005

Dear Mr. Murphy:

The Commission has considered your letter of May 14, 1969 and does not believe that any useful purpose would be served by your meeting with the Commission to discuss the business plans of your client, Drexel Harriman Ripley, Incorporated, a registered broker-dealer, in so far as they relate to I.O.S., Ltd. (S.A.). The Commission has, however, authorized me to advise you of the following which may be of assistance to you.

As a general rule, a registered broker-dealer may participate in the underwriting outside of the United States of a security not registered under the Securities Act of 1933 of a foreign issuer and which is to be offered and sold to foreign nationals only (Securities Act Release No. 4708, July 9, 1964; Investment Company Act Release No. 5618, February 25, 1969). However, though Securities Act registration of such an offering is not required, the anti-fraud provisions of the Securities Act and the Securities Exchange Act of 1934 would, in general, be applicable to the activities of a registered broker-dealer participating in such an underwriting.

The Commission has noted your statement of your client's intent "to make a thorough study of I.O.S. and its subsidiaries and to prepare a prospectus which would be consistent with SEC requirements." In this connection, you may be interested in the fact that I.O.S., in its relationships with the Commission, has on several occasions taken the position that, because of the secrecy laws of Switzerland, where its principal business activities are assertedly located, it was unable to furnish the Commission with certain requested information. The enclosed copies of the Commission's order for public proceedings In the Matter of I.O.S., Ltd. (S.A.), dated February 3, 1966, and the Commission's order approving the settlement of such proceedings dated May 23, 1967, may be helpful to you.

Sincerely yours,

Orval L. DuBois
Secretary

By: Nellye A. Thorsen
Assistant Secretary

Enclosures

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A I don't recall.

Q Did you have any telephone conversations with Mr. Cowatt prior to July, 1969?

A I don't recall.

Q Did you have any telephone conversations with anybody else at I.O.S. prior to July, 1969 concerning the I.O.S. public offering?

A I don't recall but possibly I did.

Q Do you recall where you made those calls?

MR. KING: Well, Mr. Knowlton has testified that he doesn't recall.

Q You were in New York prior to July for most -- for the first half of 1969, were you in New York?

A Yes.

Prior to June 20th I went to Europe on a holiday.

Q Now you said you participated in the decision as to whether Smith, Barney should participate in the I.O.S. public offering.

Who else at Smith, Barney participated in that decision?

A I partqicipated as a member of the commitment committee of Smith, Barney which committee had the juridictional responsibility to pass on all underwring commitments of the firm.

Q Who were the other members of the commitment committee in 1969?

A I don't recall specifically. They consisted of a handful of top executives of the firm.

Q Is it fair to say that the handful of top executives were all located in New York?

A Yes.

Q Was there a commitment committee meeting in which Smith, Barney's participation was discussed?

A Yes.

Q Did that meeting take place at Smith, Barney's New York offices?

A Yes.

Q Who was chairman of the commitment committee in 1969?

A Best of my recollection it had no chairman.

Q Who presided at the commitment committee meetings?

A When I attended the commitment committee meeting I would preside, senior officer.

Q Do you recall how long the meeting lasted in which the I.O.S. public offering was discussed?

A I did not.

Q Was there more than one meeting?

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KNOWLTON'S EX 6 ID.
6/19/73
F.W.D.

file IOS Foreign

June 20, 1969

Memorandum to: CWK, AJM, Jr., RAP, WRG, MFB, TFG, FVV

HK has asked me to set up a meeting to discuss the possibility of establishing a business relationship with IOS in a number of areas, including the possibility of co-managing a large offering for their top management company in Europe. Attached are two memoranda on IOS.

A meeting has been scheduled for Monday, June 23, at 2:15 p.m. in the 16th floor conference room. I hope that you will be able to be present.

MV

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DREXEL HARRIMAN RIPLEY, INCORPORATED

Executive Committee

Minutes of Regular Meeting

June 11, 1969

A Regular Meeting of the Executive Committee was held this day at 11:00 A.M. in the Philadelphia Office.

There were present: Messrs. Berry, Coleman, Cluett, Lloyd, Morehouse, Bell, Cheston, Guernsey and Kelley. Mr. Parker also attended as Secretary.

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Messrs. Grayson Murphy, of Sherman & Sterling, and William Browning joined the meeting and participated in a discussion of the question of whether or not the firm should manage an underwriting of the common stock of IOS, Ltd. It was decided that the matter should be discussed at an informal Directors' Meeting to be held on Monday, June 16, 1969. ? when

There being no further business, the meeting adjourned.

J. Secretary

Attachment:

Commitment Committee Report - 6/9/69 ← ? when

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Document 21 of Appendix II

Q What was your reason for calling on Arthur Lipper?

A Because he was a friend of mine. I met him through the ISM underwriting; I met him in Geneva.

Q Did you discuss with Mr. Lipper ISO at these meetings?

A I must have mentioned concerning the ISO underwriting and how exciting it sounded and so forth. And knowing, he was purported to know the operation quite well, I probably discussed with him, what do you think about ISO, Ltd. and the people involved.

Q Did you tell him what you thought about it?

A No, other than I thought that it was very exciting; that we were looking forward to hopefully completing a Canadian underwriting; just very general terms.

Q When you met with other brokers in New York, Laidlow and Morgan Stanley, did you discuss at all the IOS upcoming offering?

A No.

Q You didn't tell them how exciting it was?

A No.

Q You mentioned something about it though, didn't you, in your meeting with them?

A Not with Laidlow, no. And Morgan Stanley or any other dealers I called on, I may have mentioned that we are looking [illegible] and considering an underwriting of I[illegible]S, Ltd. But at that time there was no underwriting, there was nothing specific.

Q What was Lipper's connection with ISM, if any?

A Well, nothing except that, I understood nothing officially, but I understand that he did business for the fund managed by ISM.

Q What business did he do for the fund managed by ISM?

A Brokerage business.

Q In 1969?

A Yes.

Q What was the purpose of your other trips to New York in 1969?

A Well, as I recall, once was to buy furniture for my wife; once was to meet with Irving Grace, Grace Canadian Securities; at that point, purely a social call.

I think the way to sum it up, what we were trying to do in Canada, and like all Canadian brokers, because of the interest equalization taxes, there was very little Canadian business that American brokers,

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A Yes.

Q Where were the American firms contacted?

A All those that had a European office and that would be all except a couple, were contacted in the European offices.

Q And those that didn't?

A Those that didn't were shown preliminary prospectuses in New York.

Q By whom?

A I believe by Mr. Cluett.

Those prospectuses were taken around by hand. They were brought from Europe by hand and they were taken around by hand by Mr. Cluett to talk to the people and one of the people I know was Goldman Sachs.

I can't remember specifically any others, but I think there were one or two.

Q To your knowledge, did any of the American underwriting firms that had foreign offices communicate with the American parent prior to accepting the invitation?

A I don't know.

Q You don't have any knowledge of that?

A No knowledge.

Q Did you receive, prior to the completion of the public offering, any communication, you personally, in

that's where their headquarters were. All the invitations were sent to foreign locations.

Q Do you have any knowledge of where the decision was made by Kuhn Loeb to turn down participation in the underwriting?

A No, I don't.

Q Do you know the reason Kuhn Loeb turned down participation?

A No, I don't know that either.

Q Did you ever have any discussions with Kuhn Loeb as to its participation or refusal to participate in the underwriting?

A No, I didn't. I think I've testified this morning that the only conversations I had were with the people we invited as co-managers.

Q Solomon Brothers, where was the contact made with Solomon Brothers?

A I don't know.

Q Does Solonom Brothers have a European office?

A I don't think they did.

Q So then the Telex would have gone--

A No, the way this thing was handled was, American underwriters--and I testified to this this morning, too--where an American underwriter, who didn't have a European

office was concerned, they were shown a copy of the preliminary prospectus in New York. It was hand brought across the ocean and hand trotted around the offices in the firms in New York and they were all instructed, if they wished to participate or receive an invitation, that they had to establish a European office or temporary European office and all communications in connection with the offering or the closing would be sent to that address and some, such as Goldman Sachs, did that.

Solomon, as I remember, decided it wasn't worth the candle to go through all that hubbub for a very small amount of money.

Q But Solomon Brothers was shown a prospectus in New York?

A I don't know whether they were shown a prospectus or were asked whether they would like to see one. I can't testify to that.

Q How about Paine, Webber?

A I have no knowledge of which people were asked whether they would like to see one or which ones were shown to them.

Q But Paine, Webber doesn't have a European office, does it?

A It does now, but I don't think it did then.

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PAINE, WEBBER, JACKSON & CURTIS

ESTABLISHED 1879

MEMBERS
PRINCIPAL STOCK AND
COMMODITY EXCHANGES

24 FEDERAL STREET
BOSTON, MASSACHUSETTS 02101

TELEPHONE
(617) 482-0800
CABLE - PAINWEB, N. Y.

September 11, 1969

Mr. Clark
Mr. de Cuevas
Mr. Gaylord

Sir Philip deZulueta
Hill, Samuels & Co., Ltd.
100 Wood Street
London, EC 2, England

Dear Philip:

Last week Michael Menzies called to ask if we would like to have your firm intercede on our behalf to have us included as a major underwriter in the IOS financing. While it later developed that Drexel had us on their list, I do want you to know that we appreciate the thoughtfulness of your partners in seeking to have us included.

For a variety of reasons, mostly technical, we decided that we would not participate. Nevertheless, we are very grateful to you and your associates for thinking of us.

Faithfully yours,

Albie

Albert Pratt

AP:bl
cc: Mr. Michael Menzies

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Document 48 of Appendix II.

Geneva of a prospectus and underwriting papers.

Q These were calls that you made from your New York office?

A Well, either that I made or they made to me.

Q In New York?

A Yes.

Q Did you speak with any printers?

A Where?

Q From New York.

A I spoke with the printer who did the closing memorandum for me in New York, George Young.

Q What was the name of his company?

A George Young.

Q George Young.

A Charles Young.

Q You spoke with Mr. George Young and --

A No,no. I spoke with the printer, Charles Young. That's the name of the company who were here in New York.

Q Who at that company did you speak to?

A I don't remember.

Q What was the purpose of your call?

A To get them to print up the closing memorandum.

Q Did Charles Young do any other printing in connection with the IOS public offering,to your knowledge?

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SB

2 cc

KNOWLTON'S EX 1 ID.
6/19/73
F.W.P.

1969 L. 21 14:04

MSG 00
RJS - RYH-02
PLS UNDERSTAND THAT ALL FINAL IOS SHARE ALLOCATIONS
WILL BE MADE THROUGH THE NEW YORK OFFICE - ANY
COMMITMENTS CONTRARY TO THIS PROCEDURE WILL BE
REPORTED TO M. KNOWLTON - NFD/IID

A I have just tried to answer that question. That is the allocation of shares to other members of the underwriting syndicate or selling group members if there were selling group members in this issue, is the role of the leading managing underwriter.

Q Did you make any decisions as to who would be invited into the dealer group?

A I don't recall, probably not.

Q Anybody else at Smith, Barney?

A No, my answer was with respect to Smith, Barney, not myself.

Q And when you gave an answer as to Smith, Barney you include yourself, is that correct?

A That is correct.

I did include myself with respect to this topic that you just asked.

MR. SILVERMAN: I ask the Reporter to mark as Knowlton Exhibit 1 a Telex -- I can't make out the date.

(Telex marked Knowlton Exhibit 1 for identification as of this date.)

Q Prior to today have you ever seen Knowlton Exhibit 1 on any other occasion?

A Have I ever seen this?

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Q Yes.

A I assume so.

Q Did you send this?

A I assume so.

Q What does MSG mean on the top?

A I don't recall.

Q What did the initials RJS stand for?

A They may be the initials of an employee in the Paris office.

Q RYM?

A I don't recall. I don't know.

Q And the next says PLS --oh, that is please understand, is that right?

A That is correct.

Q Does this Telex correctly state the procedure that was to be used in I.O.S. share allocations, to the best of your knowledge?

A It does.

MR. KING: Understand that these are share allocations made by Smith, Barney of the shares already allocated to Smith, Barney.

MR. SILVERMAN: Yes.

MR. KING: That is different than the allocations that you were questioning about several

minutes ago. So there is no misunderstanding on the record --

MR. SILVERMAN: I should get it clear.

Q Smith, Barney was assigned or committed to sell a certain amount of shares, is that correct?

A That is correct.

Q To assist Smith, Barney in selling those shares Smith, Barney made allocations of those shares to other brokers, is that correct?

A That is incorrect as I have already stated.

Q What did Smith, Barney do?

A Your previous questions with respect to allocation, you referred to allocations to other broker, I think I answered twice that that was the jurisdiction of the leading managing underwriter.

Q What allocations are referred to in Knowlton Exhibit 1?

A It is my recollection that the shares referred to in this exhibit pertain only to that portion of Smith, Barney's underwriting which Drexel, Harriman made available for Smith, Barney to sell, to its own clientele.

Q So then Knowlton Exhibit 1 refers to direct sales by Smith, Barney to its clients or customers.

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90 PA
KNOWLTON EX 3 ID.
6/19/73
F.W.P.

SMITH, BARNEY & CO.
INCORPORATED

R.C. SEINE 67 B 123

20, PLACE VENDÔME
PARIS (1er)

TÉL. 742-02-70
TELEX: 22-849 F

United Overseas Bank S.A.
Quai des Bergues II
CENTRE

September 25, 1969

Re: I.O.S., Ltd., Common Shares - Confirmation of Sale

Dear Sir:

Following our telex of September 24, 1969, we confirm having sold to you

...500..... I.O.S., Ltd. Common Shares at DLRS. 10.00 net per share

for a total amount payable to us of DLRS. ...5,000..... .

Please note that this letter serves as our official Confirmation of this transaction and that no separate Contract Note will be mailed to you, nor will this transaction appear on your monthly statement.

Please follow carefully the instructions given below.

Payment: due at the Chemical Bank Trust Co., 20 Pine Street, New York, International Division, attn. Mr. R. Schoenemann, for account of Chemical Bank Trust Co., 10 Moorgate, London E.C.2, sub-account Smith Barney - I.O.S., Ltd., free of delivery, value October 14, 1969. Payment may not be made through your account at Smith, Barney & Co. Incorporated, New York.

Delivery: The Common Shares are available in Registered form only at the Chemical Bank in London on or about October 15, 1969.

Enclosed is a Certification and Instruction form, which must be signed by you and returned to us in the enclosed self-addressed envelope by October 2, 1969, as a condition of this sale to you.

Thank you,

Sincerely yours,

Smith, Barney & Co.
Incorporated

By: Reinhard J. Schmoelz

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I.O.S., Ltd. - Common Shares

REGISTRATION AND DELIVERY INSTRUCTIONS

Please note that the Shares cannot be registered in the name of or held in custody by Smith, Barney & Co. Incorporated, New York.

REGISTRATION:

Please indicate below how to register the Shares.

Our Name:	Number of Shares:
UNITED OVERSEAS BANK	500 (5 cert. of 100)
Other Names:	

DELIVERY:

Multiple deliveries cannot be effected, nor can deliveries be made within the United States. Please indicate below the name and address of your London correspondent, who will take delivery on your behalf, free of value.

If you desire delivery outside of London, please state below. In this case, all expenses will be charged to you.

Kindly ship the certificates to our address:

UNITED OVERSEAS BANK — PLEASE DO NOT INSURE

11, Quai des Bergues

1211 G E N E V A 1

By:

(Your Name and Address)

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THIS CERTIFICATE MUST BE COMPLETED AND RETURNED PRIOR TO THE CLOSING DATE BEFORE ANY SHARES CAN BE DELIVERED TO YOU

Underwriters and Selected Dealers must complete Part A and return the Certificate to The Bank of New York, 147, Leadenhall Street, London, E.C.3, England, together with the Certificates, if any, of other Underwriters, Selected Dealers or other securities dealers to whom they sold Shares referred to in Part A.

Underwriters and Selected Dealers who have purchased Shares from Underwriters or Selected Dealers other than Drexel Harriman Ripley, Incorporated must complete Part B (on a separate form of Certificate) and return to the Underwriter or Selected Dealer from whom such Shares were purchased.

Other Securities Dealers must complete Part C and return to the Underwriter or Selected Dealer from whom Shares were purchased.

CERTIFICATE

DREXEL HARRIMAN RIPLEY, INCORPORATED
BANQUE ROTHSCHILD
GUINNESS MAHON & CO. LIMITED
HILL SAMUEL & CO. LIMITED
PIERSON, HELDRING & PIERSON
SMITH, BARNEY & CO. INCORPORATED
As Representatives of the several Underwriters
c/o DREXEL HARRIMAN RIPLEY, INCORPORATED
386, Avenue Louise
Brussels 5, Belgium

Dear Sirs:

In connection with our purchase of Common Shares of I.O.S., Ltd. ("Shares") we hereby furnish information and certify and agree as follows:

Part A

(To be completed by Underwriters and Selected Dealers with respect to Shares purchased pursuant to the Underwriting Agreement.)

(1) Number of Shares purchased through Drexel Harriman Ripley, Incorporated . . _____

(2a) Number of such Shares sold to retail purchasers (including individuals, institutions, advisory accounts and own investment accounts) . . . . . _____

(2b) Number of such retail purchasers . . . . . _____

(3a) Number of such Shares sold to Underwriters, Selected Dealers and other recognized securities dealers . . . . . .

(3b) Number of such Underwriters, Selected Dealers and recognized securities dealers . . . . . _____

(4) Number of such Shares remaining unsold . . . . . _____

Part B

(To be completed by Underwriters and Selected Dealers with respect to Shares purchased otherwise than pursuant to the Underwriting Agreement.)

(1) Number of Shares so purchased . . . . . √00

(2a) Number of such Shares sold to retail purchasers (including individuals, institutions, advisory accounts and own investment accounts) . . . . . √00

(2b) Number of such retail purchasers . . . . . √ —

(3) Number of such Shares remaining unsold . . . . . —

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Part C

(To be completed by other securities dealers.)

(1) Number of Shares purchased . . . . . ———

(2a) Number of such Shares sold to retail purchasers (including individuals, institutions, advisory accounts and own investment accounts) . . . . . ———

(2b) Number of such retail purchasers . . . . . ———

(3) Number of such Shares remaining unsold . . . . . ———

Such Shares were sold at the offering price and were sold only to retail purchasers. The undersigned agrees not to sell any unsold Shares except to retail purchasers.

We have maintained and will maintain written records of the name, nationality and country of residence of each individual person to whom we have sold Shares, the name, address, country of incorporation and country of domicile of each corporation to which we have sold Shares and other relevant information with respect to partnerships and associations necessary as a basis for the certifications made below. We agree to deliver to you additional certificates in this form with respect to any Shares which we have reported as unsold in this Part C.

We further agree to pay to you on demand an amount equal to the reallowance concession in effect in the underwriting managed by you, if any of the Shares purchased by us were sold by us contrary to our certification below.

We have used and will use our best efforts to obtain a broad distribution of the Shares among *bona fide* investors, and in accordance therewith, not to sell more than 1,000 Shares to any person other than an institutional investor or more than 10,000 Shares to any one institutional investor.

We have not and agree not to offer, sell or deliver any Shares to any person who is a director, officer, full-time employee or member of the sales organization (or a member of such person's immediate family) of I.O.S., Ltd. or any of its subsidiaries or affiliates.

(The following certification is made by each Underwriter, Selected Dealer or other securities dealer who has completed Part A, B or C above.)

The undersigned certifies that it has not directly or indirectly offered, sold or delivered any of the Shares sold by it to retail purchasers:

1. in the United States of America or any of its territories or possessions or any areas subject to itsj urisdiction (the " U.S. ");
2. in Canada or Mexico for a period of six months after the date of the Agreement Among Underwriters and the Selling Agreement except for deliveries in Canada solely for the purpose of registration of Shares;
3. to nationals or citizens of or persons resident or normally resident in the U.S. (" U.S. persons ");
4. to partnerships or associations any of whose partners or members are U.S. persons (" U.S. partnerships or associations "); or
5. to corporations incorporated in, domiciled in or having their principal place of business in the U.S. or which are controlled by such corporations, U.S. partnerships or associations.

UNITED OVERSEAS BANK, Geneva . .
(Name of Underwriter or Dealer)

By: . . . . . .
(Authorized Signature(s))

11, Quai des Bergues. 1211 GENEVA 1
(Address)

Date September 30, 1969

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DER

COPY

File

BANQUE DE BRUXELLES
SOCIÉTÉ ANONYME

2, RUE DE LA REGENCE
BRUXELLES 1

A. LAMFALUSSY
ADMINISTRATEUR-DELEGUE

11th September, 1969

Dear Don,

This is just to confirm that our decision not to underwite the I.O.S. issue - of which you have by now been officially informed - is based on long-term policy considerations of the kind I mentioned to you yesterday, and should in no way been regarded as a reflection on your ability to pick out and manage successful issues. We reached this decision yesterday after lengthy discussion and with no particular pleasure, especially since we attach great importance to the good relations between our two houses in the area of Euro-bond financing. I do hope that we will have other opportunities to show this to you.

With kind personal regards,

Yours sincerely,

AL

Mr. F. Donald Kenney
Vice President
Drexel Harriman Ripley, Inc.
60 Broad Street
New York, N.Y. 10004

cc. Mr. Christian R. Sonne

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Q When did the next meeting in New York take place?

A I don't think until early October.

Q Where did the meeting in early October occur?

A In Drexel's offices at 60 Broad Street.

Q Who was present?

A I was the only one from Price Waterhouse. Mr. Ambrose and Mr. Browning.

Q What was discussed at that meeting?

A They had asked us to advise them as to our fee, as they were getting ready to have the closing on the IOS offering.

Q Did you advise them of your fee at that time?

A Yes, I did.

Q Did you, or to your knowledge did anybody else at Price Waterhouse explore the relationship of Arthur Liper Corporation with IOS?

A I don't believe so.

Q Did you, or anybody else at Price Waterhouse obtain information concerning the relationship of Arthur Lipper Corporation and IOS?

A I think the answer -- the question is so general I would have to say yes, I think we did find out some information about Arthur Lipper.

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A As I said in New York.

Q Where in New York?

A On one occasion at Smith, Barney office. That is the extent of my recollection.

Q How about the other occasions?

A I don't recall.

Q What was the purpose of Mr. Buhl's visit to Smith, Barney office, if you know?

A I believe Mr. Buhl had lunch with us at Smith, Barney in the fall of 1969. This was an occasion of his being in New York.

Q Did you ever go to any I.O.S. offices in New York?

A No.

Q On Madison Avenue?

A No.

Q Were you ever in any hotel suits maintained by any I.O.S. people?

MR. ZIREN: Objection.

A Not to my recollection.

Q Or the Carlyle?

A No.

Q Did you ever meet Mr. Cornfeld in 1969?

A I just don't recall.

(Inter-office telegram, dated August 13, 1969, marked Knowlton Exhibit 9 for identification as of this date.)

MR. SILVERMAN: Telex dated September 2nd, 1969.

(Telex dated September 2nd, 1969, marked Knowlton Exhibit 10 for identification as of this date.)

MR. SILVERMAN: Telex to Mr. Knowlton on the 15th floor from Vessel and Paris.

(Telex to Mr. Knowlton on the 15th floor from Vessel and Paris, marked Knowlton Exhibit 11 for identification as of this date.)

MR. SILVERMAN: All office memorandum dated September 8, 1969 consisting of two pages.

(All office memorandum dated September 8, 1969, consisting of two pages, marked Knowlton Exhibit 12 for identification as of this date.)

MR. SILVERMAN: Telex from Bischof to Perry Ruddick.

(Telex from Bischof to Perry Ruddick, marked Knowlton Exhibit 13 for identification as of this date.)

Q Mr. Knowlton, I ask you to look at Exhibit 2.

Did in fact Mr. Buhl and Mr. Lipper appear as

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your luncheon guest on Monday, October 13, 1969?

A I believe I have already answered that question, that my recollection, I did have a lunch with Mr. Buhl.

Q Was Mr. Lipper there too?

A In 1969, in the fall of 1969.

Q Was Mr. Lipper also present?

A Possibly.

Q What was his connection?

MR. KING: With what?

Q With Mr. Buhl, with I.O.S., Smith, Barney, first with Mr. Buhl?

A I don't know.

Q With I.O.S.?

A My recollection is that Mr. Lipper's firm handled some brokerage business for I.O.S. in the United States.

Q Any other relationship?

A Not to my knowledge.

Q Did you invite Mr. Lipper to be present?

A I don't think so.

Q Was there any understanding or arrangement that any stock transactions by sub-advisors would be executed by Mr. Lipper's firm?

MR. KING: Do you understand that

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KNOWLTON'S EX 13 I.D.
6/19/73
F.W.P.

ORIGINAL

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MSG 5
PERRY RUDDICK CORPORATE FINANCE

I PLAN TO ATTEND PARIS MANAGERS MEETING
AND THEN RETURN TO NEW YORK TO DIS-
CUSS CORPORATE POINT INVOLVED. WILL THEN
RETURN TO ASSIST MARKETING AFORE
BISCHOFF
GEN

ORIGINAL

SMITH, BARNEY & CO., INC.
SMITH, BARNEY & CO., INC.
SMITH, BARNEY & CO., INC.
ARKS INTERNATIONAL BUSINESS SYSTEMS, INC.
PAPER PATENTED BY ARKS CORP. U.S.A.
ARKS DATA

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September 15, 1969

Mr. William Browning, Vice President
Drexel, Harriman, Ripley, Inc.
c/o Mr. H. Vaughan
119 Rue de Lausanne
Geneva, Switzerland

Re: The Hemispheres
Hallandale, Florida

Dear Mr. Browning:

During my discussions with Mr. John Boyer, it was my understanding that the Hemispheres was the only real estate venture entered into by Investment Properties International in this country.

I note, however, that a project under construction, just north of the Hemispheres, named La Mer, is advertised as being built by Development Corporation of America, "in association with Investment Properties International."

Investigation reveals it is a joint venture between these two companies. We have no way of knowing the basis of this joint venture, nor the obligations of Investment Properties International under this joint venture, but felt that we should call this to your attention.

With kind regards, I am

Sincerely,

RNR/rsl
Enc.

Richard N. Robinson
President

cc: Mr. John Boyer

Dick,
This is partially owned by Investment Properties International or a joint venture between Mr. Moss of C.D.C. (371-2753) Mallah, Furman & Co. (327-2222) for Hollywood

La Mer

Where you live tells almost everything about you...

Condominium Apartment Estates On the Ocean

Apartment Price Schedule: Twenty-Seven Thousand Dollars to One Hundred Thirty Thousand Dollars

Model Apartment Estate Viewing 9:00 A.M. through 5:00 P.M.
Broward: 923-2569
Dade: 947-3907

1880 South Ocean Drive
Hallandale, Florida
South of Hallandale Beach Boulevard on A-1-A

Another magnificent achievement by DEVELOPMENT CORPORATION of AMERICA in association with INVESTMENT PROPERTIES INTERNATIONAL

Vanleigh Model Apartment Furniture by Vanleigh • Model Interiors by Muriel Rudolph, N.S.I.D. Westinghouse Appliances

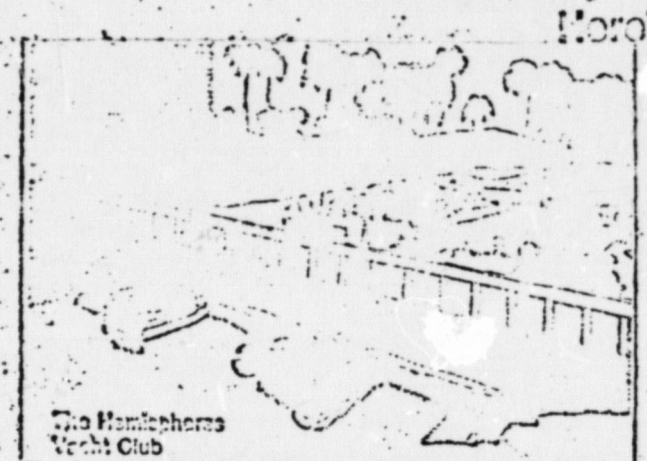
102 P4

BORED?

Then why renew your lease?

Renew your life instead.

Here's how.



Rent an apartment at The Hemispheres. Where we're spending $4,500,000 to keep you from ever being bored. And where we've included everything in the rent.

Like our spectacular Beach Club and Yacht Club. Two fabulous clubhouses that overflow with the good life. Our own white sand beach, marina, even a private $42,000 yacht.

Our 16 landscaped acres stretch from oceanfront to bayfront...with floodlit tennis courts, shuffleboard courts, a putting green, two heated swimming pools, a gourmet restaurant, coffee shop, an intimate cocktail lounge, promenades, gardens, sitting areas, a 400-seat movie theatre and auditorium, private party rooms, meeting and card rooms, ping-pong and billiard rooms, exercise rooms, a health club and sauna.

How could you ever be bored with that? But there's so much more. Like a fully equipped woodworking and hobby shop. An artist's studio. A photo laboratory. (A supervised children's playroom so they don't get bored either.) And when you're in the mood for golf, you have guaranteed starting times at nearby Oak Ridge Country Club.

You can enjoy an endless stream of activity. Or do nothing but relax and follow the sun. The beach in the morning. The Yacht Club in the afternoon.

Perhaps best of all will be joining "our crowd". Because The Hemispheres is part of an international complex of clubs with fascinating, active people from all over the globe. (Your free club membership extends to our 3 clubs on Spain's Costa del Sol and others as they are built around the world.)

There's nothing dull about our apartments, either. Big, bright and beautiful. With exciting water views from every sunny terrace. Centrally air conditioned, of course. Free wall-to-wall carpeting. Folding partitions in every living room to provide an extra bedroom whenever needed. GE kitchens with dishwashers and disposers. Huge closets, dressing areas. Closed circuit TV. Free assigned parking. Valet parking. Covered access between clubs and buildings. 'Round the clock doormen and maximum security for your safety.

If shopping is a drag, we've included an on-site supermarket, travel agency, beauty salon, barber, valet and cleaners, sports shop, TV and stereo repair and rental. Even our own resident physician and dentist. When you want to go to town, we'll provide a courtesy car.

Daytime or night, inside or out, bayfront or oceanfront, it's simply impossible to be bored at The Hemispheres. And when your friends want a taste of your happiness...there's always 50 furnished guest apartments available for short term leases.

It's all up to you. Come to The Hemispheres today. And take out a new lease on life. It begins January 1970.

NOW RENTING AT THE HEMISPHERES

On the Ocean...and on the Intracoastal Waterway

[illegible] Broward:927-9702

[illegible]

[illegible]

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KEYES-PENN
MORTGAGE COMPANY

600 Brickell Avenue □ Miami, Florida 33131 □ 377-4511

September 15, 1969

OFFICES
Philadelphia, Penna.
Camden, New Jersey
Dallas, Texas
Miami, Florica

Mr. William Browning, Vice President
Drexel, Harriman, Ripley, Inc.
c/o Mr. H. Vaughan
119 Rue de Lausanne
Geneva, Switzerland

Re: The Hemispheres
Hallandale, Florida

Dear Mr. Browning:

In furtherance of the request of Mr. John Boyer and my discussions with Mr. Chris Sonne, I am writing to you concerning the findings we have made on the captioned property. As requested, we have inspected the subject property, conducted extensive research and had discussions with Messrs. Herbert Rabin and Lawrence Wilkov at the site and have come to certain conclusions, as follows.

LOCATION

As you know, the subject site is situated on South Ocean Drive (Route A1A) three blocks south of Hallandale Beach Boulevard in Hallandale, Florida. The site is in Broward County, which is presently one of the most active building areas in the entire country. The demand for condominiums and rental units is unprecedented. The location of the subject site allows it to offer the many amenities that insure a successful project.

IMPROVEMENTS

Our inspection of the project under construction leads us to believe that the planning, workmanship and quality of the project is as fine as any in the area, and far superior to most. The general contractor is well known to our office and is a highly regarded professional. Our inspection of the buildings themselves indicates that the construction is proceeding rapidly, without any accomodations to speed which would produce any shortcomings in the physical makeup of the buildings.

CONSTRUCTION PROGRESS

Construction commenced with the start of piling operations in December, 1968. Thirty-six working days were lost due to labor strikes early in 1969. By adding extra help and working extra shifts, some of this lost time has been made up. According to Mr. Herbert Rabin, the completion schedule is as follows:

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KEYES - PENN MORTGAGE COMPANY

BLDG.	NO. OF UNITS	NO. OF FLOORS	COMPLETION DATE - CONT. SIGNING	COMPLETION DATE - DUE TO STRIKE	COMPLETION DATE - AS OF 8/29
B.N.	306	19	12/20/69	2/11/70	1/15/70
O.N.	331	23	1/20/70	3/11/70	2/15/70
O.S.	327	23	2/20/70	4/11/70	3/15/70
B.S.	331	23	3/20/70	5/11/70	4/15/70
	1295				

Discussions with Mr. Rabin indicate that the total project cost is $39,473,713.00, broken down as follows:

		CONTRACT PRICE
Ocean North		$6,688,938
Ocean South		6,657,007
Bay North		5,535,001
Bay South		6,720,162
Additional Costs		24,000
Subtotal		$25,625,108
Site Work		2,044,105
General Allowance, carpeting, lobby, etc.		2,067,000
Contractor's fee		1,104,000
Clubs & Yacht Facilities		2,238,000
Additional Costs:		
Incl. Land (Mtg.$1,810,000)	2,740,000	
Int. on land mtg.	217,000	
Int. on Const. loan, fees, consulting fees, architect, real estate commission	1,950,000	
	1,488,500	6,395,500
TOTAL		$39,473,713

In attempting to determine the % of completion as of specific dates, it is our opinion that certain items in the total construction cost figures should be eliminated, since they are "one time" charges, or items not related to the time consuming construction program. To determine the % of completion, we have concentrated mainly on the contract figures attributable to the four principal buildings. The contract prices and advances are as follows:

	CONTRACT PRICE	ADVANCES AS OF 6/30/69	ADVANCES AS OF 7/31/69
O.N.	$6,688,938	$2,289,369	$2,970,966
O.S.	6,657,007	1,321,941	1,795,897
B.N.	5,535,001	1,996,404	2,700,187
B.S.	6,720,162	856,134	1,188,825
Add. Costs	24,000	20,000	20,000
	$25,625,108	$6,483,848	$8,675,875

This would indicate that on June 30, 1969, the project was approximately 20-22% complete; on July 31, 1969, it was approximately 34% complete; since advances during the month of August total approximately $2,800,000, it is our opinion that as of August 31, 1969, the project was approximately 40-42% complete.

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KEYES – PENN MORTGAGE COMPANY

Since we do not know the allocation of the August 1969 advances in relationship to the individual buildings, it is difficult to ecnomically determine the completion of each. It is our opinion from visual inspection that the Bay North building is approximately 60% completed and the Ocean North building is approximately 50% completed. It is these two buildings that have been receiving the most concentrated effort, due to the earlier estimated completion dates.

Because of the stress being put on the two buildings being completed first, Bay North and Ocean North, it is our opinion that their respective completions dates can be met. It is our further opinion that the completion dates for the Ocean South and Bay South buildings will not be met. We do believe, however, that the completion will be effected very shortly after the projected dates.

In an effort to determine what problems may occur in the event the buildings are not completed exactly on time, we have reviewed sales and lease contracts and discussed the interim financing with the accountants for the project. Neither the sale contract nor the leasing form will be affected in any way in the event the premises cannot be delivered according to the estimated completion date. Similarly the accountants advise us that since the owners are constructing the buidings with "their own money", there is no deadline imposed by a construction lender as is the usual case in projects of this size. I must point out that the great majority of unit sales have been consummated outside of this country and the only forms available to me were the forms used for United States buyers. I have been advised that the overseas form is identical to the U.S. form in that no completion date is specified. If this is correct, I see no problems or risk involved in the event the completion schedule is not strictly adhered to.

SALES PROGRESS
(As of Aug. 29, 1969)

Units available for sale		1295
Units sold overseas	1112	
Units sold in U.S.	53	
TOTAL SOLD		1165
Available for sale		130

Only 53 units were made available for sale in the United States. All were sold for occupancy by purchasers.

Remaining units were made available for sale in various overseas markets and were sold basically for investment by the individual purchasers. Sales contracts included an exclusive agency for the seller to lease the unit. As of Aug. 29, 1969, 1112 units out of 1242 available to foreign markets had been sold. Only 21 purchasers planned to occupy the units and thus only these units were not available for lease.

The above figures were received from the office of Mr. Lawrence Wilkov, General Manager, at the project office, without confirmation from the Switzerland sales office. Also, U.S. sales contract form does not include rental exclusive, thus confirmation of wording of exclusive clause should be secured.

RENTAL PROGRESS
(As of Aug. 29, 1969)

Total Number of units		1295
U.S. units, not available for rental	53	
Foreign units, not available for rental	21	74
Units available for rental		1221
Units rented		403
Available for Rental		818

Various commercial areas totalling 8952 square feet are avilable for leasing. To date, all but one store area are either leased or committed. The schedule is as follows:

STORE	BUILDING	AREA	RENTAL
Beauty shop	O.S.	1600	$7 per s/f
Barber shop	O.S.	520	$5 "
Valet shop	B.S.	976	$6 "
T.V. rental	B.S.	550	$5 "
Drug Store	B.S.	1650	$5 "
Commissary	O.N.	2400	$3-4 "
Jewelry Shop	O.N.	250	$5-6 "
Travel shop	O.N.	525	$5 "
Pending	O.N.	481	$5 "

We have reviewed carefully the proposed rental schedule for the subject development and consider it completely in line with rental units available in the area. The management team on the site has embarked on a well planned and well executed rental program supported by extensive advertising. In our opinion, the project should be substantially rented out by the time of its completion.

SUMMARY

I believe in the narrative form above I have answered the questions posed in the Telefax inquiry of Aug. 21, 1969, directed by your office to Mr. John Boyer. To summarize simply, I would have to state that The Hemispheres is a well located, well planned, and well executed project. I believe it is above average in quality, amenities, and, if the proposed staff is secured, it will also be above average in management. Needless to say, I am greatly impressed by the project.

If I can be of further service in securing and evaluating any additional data on this project, or in maintaining a continuing evaluation of the project, please advise. It has been a pleasure working with Mr. Boyer and the staff on the site itself.

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KEYES - PENN MORTGAGE COMPANY

Please feel free to call on us if there is any way in which we can be of further service.

Sincerely,

Richard N. Robinson
President

RNR/rsl

cc: Mr. John Boyer

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DREXELBANK PHA
0452252

2554A IDS CH

CHRIS SONNE

RICHARD ROBINSON PRESIDENT
KEYES - PENN MORTGAGE CO
600 BRICKELL AVE MIAMI, FLA 33131
TELEPHONE NO 305-377-4511
A WHOLLY OWN SUBSIDIARY OF BANKERS BOND AND MORTGAGE CO WILL HANDLE
HALLENDALE PROJECT. HAS DONE CONSIDERABLE CHECKING AND MADE UN-
ANNOUNCED FIELD VISITS. READY TO CALL ON RUBIN. SEND MORE
DETAILS ON PRESUMED CONSTRUCTION PROGRESS.

AUG 20 02 01 69

JOHN BOYER
++++

PLS ACK

DREXELBANK PHA
+#
003 4IN4

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Frederick M. Werblow

Date	July	2	3	7	8	9	11	14	15	16	17	18	21	22	23	24	25	28	29	30	31
Number of Hours		2	6	7	2	2	9	4	3	1	2	5	7*	7*	7*	7*	7*	7*	7*	7*	7*

	August	1	4	5	6	7	8	11	12	13	14	15	18	19	20	21	22	23	24	25	26	27	28	29	30
		7*	2*	8*	10*	6*	10*	9*	8*	10*	10*	8*	8*	9*	12*	12*	13*	14*	4*	10*	12*	10*	10*	8*	8*

	September	1	2	3	4	5	8	9	10	11	12	15	16	17	18	19	20	23	24	25
		10*	7*	7*	7	7	9	9	9	9	8	8	7*	8*	8*	11*	4*	8*	10*	7*

	October	2	3	6	7	8	9	10	13	14	15
		2	1	1	7	4	3	3	2	1	2

* Indicates work performed outside United States.

ROBERT M. MAYNARD

Date	July	16
Number of hours		1

August	13	18	26	27	28	29	30
	1	1	5	8*	12*	12*	8*

September	2	3	4	5	8	10	11	12	15	16	17	18	19	20	22	23	24	26
	3	1	6	7	5	4	7	8	8	8*	8*	8*	8*	8*	5	2	3	2

October	7	
	1	

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*Indicates work performed outside United States.

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J O S E P H L. R O T H

Date	August	26	27	28	29	30									
Number of hours		3*	8*	12*	12*	8*									
	September	4	5	8	9	10	11	12	13	15	19	22	23	24	26
		8	6	6	3	6	4	8	2	8	2	6	4	4	1

*Indicates work performed outside United States.

112 PA

R O B E R T E. F I E L D

Date	August								
Number of hours	26								
	September	3	8	10	12	15	16	17	22	23
		1	2	8	8	2	2	3	2	1

113 PA

WILLIAM STODDART

Date	July	2	3	6	7	14	15	16	17	18	21	22	23	24	25	28	29	30	31
Number of hours		2	8	2	8	8	8	6	4	5	10*	8*	8*	8*	8*	8*	8*	8*	8*

	August	1	4	5	6	7	8	11	12	13	14	15	18	19	20	21	22	25	26	27	28	29	30	31
		8*	8*	8*	8*	10*	8*	10*	10*	10*	10*	8*	10*	14*	10*	10*	10*	10*	12*	12*	14*	10*	8*	8*

	September	1	2	3	4	5	10	12	15	16	17	18	19	20	22	23	24	25	29
		10*	10*	12*	8*	8*	2	7	10*	8*	8*	10*	12*	4*	8*	12*	10*	8*	2

*Indicates work performed outside United States.

M A R I A N N E B U R G E

Date	July	1	3	7	14	15	17	18	21	22	23	24	25	28	29	30	31			
Number of hours		1	8	8	8	6	8*	8*	8*	8*	8*	8*	8*	8*	8*	8*	8*			
	August	1	4	5	6	7	8	11	12	13	14	15	16	17	18	19	20	21	22	25
		8*	8*	8*	8*	8*	8*	8*	8*	8*	8*	8*	8*	8*	14*	14*	14*	14*	14*	8*
	September	12																		
		2																		
	October	1	2	3																
		1	4	1																

114 PA

*Indicates work performed outside the United States.

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JOHN L. McDONOUGH, JR.

Date	July	1	2	3	7	8	9	10	11	14	15	21	22	23	24	25	28	29	30	31
Number of hours		1	1	7	7	1	1	1	1	1	3	8*	8*	8*	8*	8*	9*	9*	9*	8*
	August	1	4	5	6	7	8	11	12	13	14	15	18	19	20	21	22	26	28	
		9*	9*	9*	10*	9*	9*	9*	9*	14*	10*	8*	1	1	1	1	4	2	1	
	September	9	10	11	12	15														
		5	1	2	3	2														

*Indicates work performed outside United States.

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E D W A R D L. C A M E R O N

Date	August	6	8	11	12	13	14	15	18	19	20	21	22	23	24	25	26	27	28	29
Number of hours		1*	1*	11*	12*	11*	11*	7*	10*	10*	11*	9*	8*	11*	4*	9*	13*	9*	9*	9*

*Indicates work performed outside United States.

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K E N N E T H F. V O N G L A H N

Date																				
July	1	2	3	7	9	10	11	14	15	16	17	21	22	23	24	25	28	29	30	31
Number of hours	3	6	8	7	3	2	10	3	8	2	4	8*	8*	8*	8*	8*	8*	8*	8*	8*

August	1	
	8*	

September	10	11	12	15
	2	2	5	3

October	8	9
	4	3

*Indicates work performed outside the United States.

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October 8, 1969

Syndicate No. 4611

I. O. S. Expenses

1.	N. Y. - Geneva trip (GPB):	1,644.37
2.	N. Y. - Paris trip (GPB):	400.42
3.	N. Y. - Geneva trip (GPB):	603.74
4.	N. Y. - London (GPB-FMB): (est.)	150.00
5.	Paris office	1,670.00
6.	N. Y. - Geneva flight (GPB):	550.00
7.	N. Y. - Geneva flight (GPB):	834.00
8.	N. Y. - Paris (GPB):	500.00
9.	N. Y. - London (FMB):	420.00
10.	N. Y. - London (GPB):	585.00
11.	HK	1,130.35
12.	MV	172.67
		8,660.55

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May 13th, 1969.

Mr. Edward M. Cowett,
Investors Overseas Services,
119 rue de Lausanne,
Geneva, Switzerland.

Dear Ed:

When we last met in New York to discuss the forthcoming issue of I. O. S., Ltd. (S.A.) I indicated to you that we would like to distribute $10,000,000 of the anticipated $96,000,000. You suggested $8,000,000. I would appreciate it if you could raise the Canadian participation to the $10,000,000. Any chance?

I have several questions arising out of our meeting on which I would appreciate your comments.

1. Of the 6,000,000 shares to be offered, Investors Bank participation will be 2,000,000 shares, and assuming Canadian allotment of 625,000 shares (?) what will be the geographical breakdown of the remaining 3,375,000 shares?

2. Crang & Co. will be managing underwriter for Canada. Has it been ascertained who the managing underwriters for the U.K. and Europe will be? I assume each managing underwriter will form a banking group to make up the distribution group and the syndicate advertisement will show the managing underwriters for each locale and under each of these names the members of the banking group, probably alphabetically.

3. To borrow a Gil Smith phrase, will this underwriting require a co-ordinating underwriter or will S.A. co-ordinate? Obviously there will have to be one underwriting agreement between S.A. and the managing underwriters, andan uniform banking group agreement between them and their banking groups.

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Mr. Edward M. Cowett, May 13th, 1969.

4. Will Canadian dealers with U.K. or European operations be invited to join those banking groups? This should be established now as one of the conditions of the Canadian banking group agreement should be that any member's participation must be placed in Canada and not through their foreign offices.

5. Providing we can overcome the option problem (and I think we can) in connection with the listing of S.A. on the T.S.E., would it not be wise to also list on Montreal and perhaps Vancouver? Besides London, is it contemplated to apply for listing on any other exchanges?

6. The Canadian prospectus will be used in Canada only and will be printed in English and French. Does this still hold?

7. Has there been any substantial change in your thinking since our discussion in New York regarding the capitalization of the new corporate vehicle, terms of the public offering, dividend policy, restrictions in relation to shares outstanding under I.O.S. Option Plan, or timing of issue?

8. It is our intention to proceed immediately with the first draft of the prospectus and to keep some of our provincial security commissioners informed as we move along, so there will be no hang-up to cut across the timing.

Ed, we are looking forward to what will obviously be a very interesting new issue. However, I cannot help but feel it will not nearly be the "fun" ISM was. After all, where else in the investment industry has a distribution group been put together in the manner Investors Management was?

Looking forward to hearing from you, I remain

Yours truly,

MJH:JIR M. J. HOWE.

P.S.--the biographical sketch of the outside directors shown on page 23 of the S.A. "Blue Book" should show Murray Howe in addition to being a Partner of J. H. Crang & Co. that he is also a Member of the Toronto Stock Exchange.

M. J. H.

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KNOWLTON'S EX C ID. 676
6/19/73 P
F.W.P.

Memorandum To: HK, Jr.
WRG
ENM

October 6, 1969

Re: F.O.F. Prop.

On Monday, October 13th, Henry Buhl and Arthur Lipper III will be our luncheon guests here. They will arrive at 12:30 p.m. and ask for HK, Jr. Please let me know any other individuals you would like to attend the luncheon.

You will receive shortly a proposed sub-advisory contract with preliminary comments. A meeting will be scheduled on Thursday or Friday to discuss the contract and other matters, after Davis Polk has reviewed the situation.

The purpose of the luncheon is to discuss operating procedures and "pick their brains." Negotiation of business matters should be left to HK and Cowett.

Last week Cornfeld mentioned he planned to be in New York after the Closing (October 15th) to set up a meeting of all U.S. sub-advisers and would like to meet the man who will manage the Smith, Barney account if selected by them. This should be our target date for resolving our position, especially since Drexel has a head start on us.

GPB

George P. Bischof

cc: Miss Monica Keane

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Minutes of the Executive Management Committee Meeting held on July 9, 1969

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Present: Bernard Cornfeld, Ed Cowett, James Roosevelt, Henry Buhl, Eli Wallitt, George Landau, Richard Gangel, George Tregea, Eric Wyndham White, Ben Heirs.

Guest: Arthur Lipper

Absent: Allen Cantor, Barry Sterling, Richard Hammerman, Martin Seligson, Kent Gordis.

SUMMARY OF THE MEETING

Decisions and assignments (not in order of importance):

2. Bernard Cornfeld announced that Tex McCreary and Burt Woolf have started to work full-time for an IOS owned communications company (being organized in the United States).

10. A current problem with the SEC, arising from the sale by IIT in the United States of 40,000 unregistered shares of Revenue Properties, a Canadian company, was reviewed. The shares had been purchased in Canada and then were sold on the American Stock Exchange, without knowledge that they originally came to IIT from

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control persons. (It appears that the problem will be settled on a basis which will not involve severe PR problems.)

The Meeting commenced at 13.15. and adjourned at 18.30.

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TO: J. H. CRANG & CO.

AND TO: MESSRS. ZIMMERMAN, WINTERS, WORLEY, GRANT, HUGO, PADDON & BENNETT

I, EDWARD M. COWETT, the Executive Vice-President of I.O.S., LTD. (hereinafter called the "Company"), hereby certify that:

1. The prospectus dated September 22, 1969 relating to the offering in Canada of 1,450,000 common shares of the Company does not contain any untrue statement of any material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

2. The representations and warranties contained in clause 2 of an underwriting agreement (hereinafter called the "Crang Agreement") made September 23, 1969 between the Company, me and J. H. Crang & Co. relating to the purchase by J. H. Crang & Co. of 1,300,000 common shares of the Company are true and correct in all material respects;

3. The representations and warranties contained in clause 2 of an underwriting agreement (hereinafter called the "Sub-underwriting Agreement") made September 23, 1969 between the Company, Investors Overseas Bank Limited (hereinafter called "IOB") and J. H. Crang & Co. relating to the purchase by J. H. Crang & Co. of 150,000 common shares of the Company are true and correct in all respects;

4. The sale by me, as agent of the Selling Shareholders referred to in the Crang Agreement, of the 1,300,000 common shares of the Company as therein provided does not and will not conflict with or result in a breach of any instrument or agreement to which the said Selling Shareholders, the Company or any of them is a party;

5. The sale by IOB, as agent of the said Selling Shareholders, of 4,092,000 common shares of the Company pursuant to the IOB Agreement referred to in the Crang Agreement does not and will not conflict with or result in a breach of any instru-

ment or agreement to which the Selling Shareholders, IOB or any of them is a party;

6. The issue and sale of 5,600,000 common shares of the Company pursuant to the Drexel Agreement referred to in the Crang Agreement does not and will not conflict with or result in a breach of any of the terms, conditions or provisions of the letters patent incorporating the Company or any supplementary letters patent issued to the Company or the by-laws of the Company or any instrument or agreement to which the Company is then a party;

7. I have been duly authorized by each of the said Selling Shareholders to sell and deliver common shares of the Company as agent and on behalf of such Selling Shareholder in accordance with the terms of the Crang Agreement;

8. I have been duly authorized by each of the said Selling Shareholders to appoint IOB as his agent to sell and deliver common shares of the Company as agent and on behalf of such Selling Shareholder in accordance with the terms of the Sub-underwriting Agreement.

DATED this 15th day of October, 1969.

Edward W. Crang C.S.

Executive Vice-President

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22-15 Com.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATE REGULATION

August 27, 1970

John S. D'Alimonte, Esq.
Willkie Farr & Gallagher
1 Chase Manhattan Plaza
New York, New York 10005

Re: I.O.S., Ltd. (S.A.)
File No. HO-305

Dear Mr. D'Alimonte:

Upon my return to the office from vacation, I found your letter of July 29, 1970 responding in part to our information request of April 27, 1970 addressed to Seymour Kleinman, Esq.

In your letter you indicate that approximately 385 Americans purchased shares of I.O.S. common stock upon the public offering in September 1969. While we recognize, as you point out, that many of those purchasers may have since disposed of their holdings or terminated their relationships with I.O.S., we would appreciate your furnishing to us, as promptly as possible, a list of all such Americans known to have purchased I.O.S. shares upon the public offering, including their name, current address, if known, and number of shares purchased.

We would also appreciate receiving similar information with respect to the 32 individuals or companies identified in the records of the Montreal Trust Company with U.S. addresses as of June 19, 1970 together with an explanation why that date was selected.

While our request of April 27, 1970 did not distinguish between purchasers of preferred and common stock, it is satisfactory for the present to receive the information requested with respect to the purchasers of common stock only.

Sincerely,

Allan S. Mostoff
Associate Director

L-2117 (5-69)

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22-15 Com

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

DIVISION OF
CORPORATE REGULATION

SEP 25 1970

John S. D'Alimonte
Willkie Farr & Gallagher
1 Chase Manhattan Plaza
New York, N. Y. 10005

Re: IOS, Ltd.
File No. 132-3

Dear Mr. D'Alimonte:

We have your letter of September 17, 1970, transmitting the names of certain persons with "a continuing business or professional relationship with IOS" who purchased IOS stock in connection with the 1969 public offering.

While we appreciate receiving that information, in order for us to consider whether the offering was in total compliance with the Commission's order of May 23, 1967, we will require the names of all Americans who purchased the stock and a full description of their relationship with IOS. In order to set our inquiry in context, I am enclosing for your information a copy of a self-explanatory letter sent by Mr. Heneghan of the staff to Craycon M. P. Murphy, Esq., Counsel for the underwriters of the public offering, on September 8, 1969.

Sincerely yours,

Allan S. Mostoff
Associate Director

Enclosure

L-2117 (5-69)

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SEP 8 1969

Grayson Murphy, Esq.
Sherman & Sterling
20 Exchange Place
New York, New York

Re: I.O.S., Ltd.

Dear Mr. Murphy:

This is with further reference to your letter of August 7, 1969, regarding the proposed public offering in Europe by an underwriting syndicate headed by Drexel Harriman Ripley, Incorporated, of shares of I.O.S., Ltd. as well as two additional offerings of the shares of I.O.S., Ltd.

In addition to the matter referred to in our letter of August 21, we would also like to point out that in connection with the part of the offering managed by Investors Overseas Bank, if any of the "larger holders of shares of investment companies managed by the company or its subsidiaries," or any of the "other persons having business relationships with the company or its subsidiaries," are United States citizens or nationals, the prohibitions of the Commission's order of May 23, 1967 would be applicable to any offer or sale to such holders or persons.

Sincerely yours,

John Monaghan
Assistant Chief Counsel

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October 28, 1970

Securities and Exchange Commission
500 North Capitol Street N.W.
Washington, D. C. 20549

Attention: Stanley Sporkin, Esq.
Associate Director
Division of Trading and Markets

Re: I.O.S., Ltd.

Dear Mr. Sporkin:

Mr. Robert Slater, President of I.O.S., Ltd., has directed me to provide you with responses to all your outstanding inquiries at the earliest possible moment. We are now in the process of complying with that directive and in order to do so promptly we are writing to confirm the various requests for information which have been made by members of the Staff, but to which we have not yet been able to respond.

1. In a letter dated October 15, 1970 to the undersigned, Mr. Allan B. Mostoff requested that I.O.S. provide the full name, business address and nature of business of a company, identified on the annually portfolio listing of IOS funds as "Steadman Industries Foreign." Further, Mr. Mostoff requested information as to the price paid for the securities of that company and the person from whom the securities were purchased.

2. In a letter dated October 19, 1970 to John S. D'Alimonte of this office, Mr. Mostoff requested that there be an elucidation of the information, relating to transactions in Canadian Arctic oil and gas exploration permits by P.O.F. Proprietary Funds Ltd. and IOS Growth Fund, Limited, contained in Mr. D'Alimonte's letter of September 28, 1970 to Mr. Stanley Sporkin. Principally, the requested information consists of a detailed list of the natural resources properties and interests held by each of these companies at December 31, 1969.

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3. In a letter dated September 25, 1970 to Mr. D'Alessandro, Mr. Hester confirmed the Staff's request that it be provided with a list of the names and last known addresses and relationship to ZZZ of all Americans known to have purchased ZZZ common stock in connection with a public offering in September 1969. In a letter dated September 17, 1970 to Mr. Hester from Mr. D'Alessandro, this information was provided in connection with three Americans having a continuing business or professional relationship with ZZZ who received shares. Members of the ZZZ staff are presently working with the underwriters to compile the pertinent information for all other relevant American purchasers.

To the best of the knowledge of the undersigned, this is a complete and accurate description of presently outstanding information requests received from members of the Staff. I would very much appreciate your confirmation of this. In the meantime, we hope to have responses to the above in the very near future.

Very truly yours,

Raymond H. Horwitz

RHH:ra

cc: Mr. Robert Slater

bc: Jay F. Leary, Esq.
Calvin Cobb, Esq.
Bruno Lederer

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EXHIBIT A

NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Eugene L. Amazon 5 Route de Ferney Geneve, Switzerland	600 Shs.	employee
Kenneth L. Beaugrand 2 Parc de Bude Geneve, Switzerland	800 Shs.	employee
Harold A. Becker c/o IOS Administrative S.A. 119 rue de Lausanne Geneve, Switzerland	600 Shs.	employee
Gerald Berkin 10 Avenue du Lignon Geneve, Switzerland	800 Shs.	employee
C. Henry Buhl III Les Charmettes 1196 Gland Vaud, Switzerland	1000 Shs.	employee
Robert B. Burke c/o Kipper 54 rue de Bourgogne 75 Paris 7e., France	150 Shs.	employee
Allen R. Cantor Villa Pt. Choiseul Versoix, Geneve, Switzerland	1000 Shs.	employee
Bernard Cornfeld 218 Route de Lausanne Geneve, Switzerland	1000 Shs.	employee
Edward Coughlin 4 Place de l'Etrier Geneve, Switzerland	1000 Shs.	employee
Edward M. Cowett 10 Rampe de Cologny Cologny, Geneve, Switzerland	1000 Shs.	employee
Howard Dressman 27 Chemin des Chenes 1294 Genthod, Geneve, Switzerland	600 Shs.	employee
Peter Durkson 11 Rue Gautier 1202 Geneve, Switzerland	600 Shs.	employee
Frank Felberbaum 42 Chemin Pont Ceard Versoix, Geneve, Switzerland	405 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Irving Freedman 5 Rue des Alpes 1201 Geneve, Switzerland	1000 Shs.	employee
George H. Gerard 12 Avenue Dumas Geneve, Switzerland	270 Shs.	employee
Kent Gordis La Grande Coudre Celigny, Vaud, Switzerland	1000 Shs.	employee
David Henderson c/o IOS Administrative S.A., 119 rue de Lausanne Geneve, Switzerland	255 Shs.	employee
George Hill 3A Chemin M. Ravel Versoix, Geneve, Switzerland	600 Shs.	employee
David James 163 Route de la Capite Geneve, Switzerland	793 Shs.	employee
Carl Jensen 105 Route de Suisse Versoix, Geneve, Switzerland	235 Shs.	employee
Robert Kaplan 2 Chemin de la Cressonniere 1293 Bellevue Geneve, Switzerland	1000 Shs.	employee
Robert King 42 Route des Tattes d'Die 1260 Knon, Vaud, Switzerland	315 Shs.	employee
George J. Landau 109 Route de la Capite Geneve, Switzerland	1000 Shs.	employee
Jay F. Leary 5 Rue de Colombier Geneve, Switzerland	1000 Shs.	employee
Samuel Levene Les Saules 1268 Bregnins, Vaud, Switzerland	250 Shs.	employee
Thadeus Lovett 1 Parc de Bude Geneve, Switzerland	1000 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Robert Metzger 4 Parc de Bude Geneve, Switzerland	1000 Shs.	employee
Suzanne Munch 3 Route de la Maladiere 1217 Meyrin, Geneve, Switzerland	210 Shs.	employee
Brooks Pace Les Tilleuls 1 Divonne-Les-Bains, France	172 Shs.	employee
John M. Reed 141 Rue de Lausanne Geneve, Switzerland	600 Shs.	employee
Lawrence Rosen 31 Chemin des Palettes 1212 Grand Lancy, Geneve, Switzerland	1000 Shs.	employee
Melvin S. Rosen 26 Route de Malagnou Geneve, Switzerland	1000 Shs.	employee
Arthur Russel La Chataigneraie 1297 Founex, Geneve, Switzerland	498 Shs.	employee
Barry C. Schwartz Ferme Gros 1242 Bourdigny, Vaud, Switzerland	1000 Shs.	employee
Richard Senn Les Mesnil 1254 Jussy, Geneve, Switzerland	1000 Shs.	employee
Gladis Solomon 11 Rue du Vidollet Geneve, Switzerland	1000 Shs.	employee
Joseph Sorstein Residence Voltaire Aa, Route de Meyrin 01 Ferney-Voltaire, France	160 Shs.	employee
George Tregea 43 Quai Wilson Geneve, Switzerland	1000 Shs.	employee
Hal Vaughan 10 Chemin du Vengeron 1292 Chambesy, Geneve, Switzerland	1000 Shs.	employee
William Ware Chalet La Jano 1298 Celigny, Geneve, Switzerland	600 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Gordon West 2 Avenue Beau Sejour Geneve, Switzerland	437 Shs.	employee
Warren W. White 01 Colonges-Fort-L'Ecluses, France	200 Shs.	employee
Edward Wielgos 27 Chemin de la Vendee 1213 Petit Lancy, Geneve, Switzerland	600 Shs.	employee
James Wine Villa La Cigale Founex, Vaud, Switzerland	500 Shs.	employee
James Zimmerman 58 Route de l'Etraz Nyon, Vaud, Switzerland	459 Shs.	employee
Jacques Lowe 9 Boulevard des Philosophes Geneve, Switzerland	600 Shs.	employee
James F. Roosevelt c/o IOS Administrative S.A., 119 rue de Lausanne Geneve, Switzerland	1000 Shs.	employee
Gilbert Anderson 1 Chemin des Cavaliers, Gradelle Chene-Bourg, Geneve, Switzerland	600 Shs.	employee
Robert J. Asherman 147 rue de Lausanne Geneve, Switzerland	600 Shs.	employee
Edward Bickford Ferme Bois Sauny 1261 Grens, Geneve Switzerland	216 Shs	employee
James C. Black 2 rue de Vieux Marche Nyon, Vaud, Switzerland	220 Shs.	employee
Theodore Bloom La Vigie Bugnaux Sur Rolle 1181 Tartignin, Vaud, Switzerland	288 Shs.	employee
Gerald Brand 278 rue Pestallozi 1202 Geneve, Switzerland	255 Shs.	employee
Richard Brown 20 Avenue Wendt Geneve, Switzerland	272 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Richard Browner 5 Chemin d'Agnier Petit Saconnex, Geneve, Switzerland	220 Shs.	employee
Colby Coombs Flat No. 3, 80 Park Street London W.1., England	289 Shs.	employee
Foster Crowell Chemin de Montfleuri 1290 Versoix, Geneve, Switzerland	315 Shs.	employee
Michael D'Alessandro Villa Bignens, 7 Chemin Floriant 01 Ferney-Voltaire, France	160 Shs.	employee
Bruce Dickieson La Feigier,358 Rue de Lausanne Geneve, Switzerland	600 Shs.	employee
John Dluzniewski 16 Quai G. Ador Geneve, Switzerland	285 Shs.	employee
Marc M. Drimer 54 route de l'Etraz 1214 Nyon, Vaud, Switzerland	150 Shs.	employee
Morton Feinholz 38 Chemin des Palettes Grand Lancy, Geneve, Switzerland	321 Shs.	employee
Frank Fink c/o Libby Finkelstein 620 Harrison Road Buffalo, N.Y., USA	600 Shs.	employee
Barry Friedman 4 Avenue due Lignon Geneve, Switzerland	225 Shs.	employee
Jeffrey Gussow c/o IMCA, Schwindstrasse 3 Frankfurt, Germany	190 Shs.	employee
Sanford G. Henry La Tour Cesar 1260 Nyon, Vaud, Switzerland	120 Shs.	employee
John D. Herbert 1299 Crans Sur Seligny, Vaud, Switzerland	800 Shs.	employee

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NAME AND ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Sheldon Hochberg 431 North Armistead Street Alexandria, Va.	220 Shs.	employee
Marvin Hoffman No. 5 Chambre T'Annier Petit Saconnex, Geneve, Switzerland	220 Shs.	employee
Robert Horin c/o Horin, 164/20 Highland Avenue Jamaica, N.Y.,	800 Shs.	employee
Charles Jacobi c/o R. Jacobi 771 River View Drive Jerki Island, Georgia,	125 Shs.	employee
John Johnidis Route de l'Etraz Nyon, Vaud, Switzerland	180 Shs.	employee
June Johnson 40 Chemin des Pont-Ceard Versoix, Geneve, Switzerland	120 Shs.	employee
Robert Johnson Collex-Bossy, Geneve, Switzerland	250 Shs.	employee
Sewall H. E. Johnson 40 Chemin des Pont-Ceard Versoix, Geneve, Switzerland	195 Shs.	employee
Kenneth M. Klein Les Peupliers Coppet, Vaud, Switzerland	600 Shs.	employee
Richard Konwin 9 Avenue Sainte Cecile Neyrin, Geneve, Switzerland	600 Shs.	employee
Chester W. Krone Villa Metral 74 Arthoz, France	200 Shs.	employee
Charles Lawlis c/o IOS of Canada Ltd., Terminal Towers Bldg., Suite 1510 800 Dorchester West Montreal 2. P.Q., Canada	220 Shs.	employee
Melvin Lechner 4 Place de l'Etrier 1200 Geneve, Switzerland	1000 Shs.	employee

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Marian Latorre 14, rue Michel 1206 Geneve-Fervet, Switzerland	180 Shs.	employee
Livingston Lucas c/o Hattie Murray 509 West 155th Street New York, N.Y.	105 Shs.	employee
Irving Mayer 543 Cite Ouest Gland, Vaud, Switzerland	200 Shs.	employee
David Miller 7 Avenue de Bude Geneve, Switzerland	262 Shs.	employee
Frances M. S. Peel 19 Chemin de Fossard Conches, Geneve, Switzerland	360 Shs.	employee
Peter Petr[illegible]io Champ Plat[illegible]onthoux 74 Vetraz, France	250 Shs.	employee
George M. Pulver La Suettaz 1260 Nyon, Vaud, Switzerland	196 Shs.	employee
Murray Radin 24 rue Lamartine 1203 Geneve, Switzerland	324 Shs.	employee
Betty Jo Ramsey Ferme sous les Roches Saint-Cergue, Vaud, Switzerland	140 Shs.	employee
Roger Rainer 16, rue du Mole Geneve, Switzerland	800 Shs.	employee
David Roach Chemin de la Dole Gland, Vaud, Switzerland	240 Shs.	employee
Norman Rolnick 1249 Avully, Geneve, Switzerland	1000 Shs.	employee
James F. ("Ted") Roosevelt Chemin de Terroux Grand Saconnex, Geneve, Switzerland	100 Shs.	employee
George Roth Villa Perreal 01 Pregnin, France	160 Shs.	employee
John D. Schuyler La Boverie 1242 Satigny, Geneve, Switzerland	412 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Patrick J. Sheehan 23 Le Crest de Vaulx 74 Gaillard, France	180 Shs.	employee
David L. Sherman Villa Ross 01 Grilly, France	160 Shs.	employee
Jack D. Shinneman Chalet Plein Soleil 01 Divonne-Les-Bains, France	160 Shs.	employee
Dougal Smith 01 Echenevex, France	600 Shs.	employee
Michael Spitzer Residence du Parc, Rue de Fossard 74 Gaillard, France	120 Shs.	employee
Raymond Stults Villa Bellevue 01 Noens, France	200 Shs.	employee
Frank W. Taylor Villa Zigliotto 01 Villard-Tacon, France	135 Shs.	employee
Paul Tillotson 1315 East Nebraska Avenue Peoria, Illinois 61614	420 Shs.	employee
Juanita Torres Noel Torres 50 Rue de Moillebeau 1202 Geneve, Switzerland	278 Shs. 200 Shs.	employee
Jerome Uslaner Chemin de la Lose 50 rue de Moillebeau 1 Commigny, Vaud Switzerland	800 Shs.	employee
Robert van Lydegraf Villa Pascotti Gland, Vaud, Switzerland	140 Shs.	employee
Andre Waksman c/o J. Waksman, 2937 Shore Parkway Brooklyn, N.Y.	231 Shs.	employee
Edward T. Whitcraft Villa Nicole 01 Pregnin, France	130 Shs.	employee

NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Arthur Adelson 74-14 Austin Street Forest Hills, N.Y.	600 Shs.	employee
Allyn Arden Villa les Iris 1299 Commugny, Vaud, Switzerland	120 Shs.	employee
Norman Gershon Cite Ouest 533 1196 Gland, Vaud, Switzerland	600 Shs.	employee
Bruce Gifford Villa Large Vue, Route de Vesenex 01 Divonne-Les-Bains, France	1000 Shs.	employee
Gerald Laba Villa Deborne, Route de Moens 01 Moens, France	180 Shs.	employee
Norman Mininberg 3 Chemin de Taverney Grand Saconnex, Geneve, Switzerland	255 Shs.	employee
Harold Earl Padget, Jr. 5 rue Gautier Geneve, Switzerland	78 Shs.	employee
Richard Palmer c/o M. Secretain 01 Grilly, France	800 Shs.	employee
Martin Seligson 31 Chemin de Ruth Geneve, Switzerland	1000 Shs.	employee
Richard Gangel c/o IOS (U.K.) Ltd., 25 Upper Brook Street London W.1., England	1000 Shs.	employee
Richard Hammerman c/o ILI, Portland House Stag Place Victoria London S.W.1 England	1000 Shs.	employee
Robert Ross c/o ILI, Portland House Stag Place Victoria London, S.W.1. England	200 Shs.	employee

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NAME AND ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
John Yardley c/o ILI, Portland House Stag Place Victoria London S.W.1. England.	324 Shs.	employee
Ronald Jacobs c/o IOS of Canada Ltd. Terminal Towers Bldg. Suite 1510 800 Dorchester West Montreal 2, P.Q. Canada.	1000 Shs.	employee
Ira Weinstein c/o IOS of Canada Ltd. Terminal Towers Bldg. Suite 1510 800 Dorchester West Montreal 2, P.Q. Canada	1000 Shs.	employee
William Masse c/o IOS, 8-8-4 Chome, Ginza, Chuo-Ku Tokyo, Japan	1000 Shs.	salesman
William Norberg c/o IOS H.K. Ltd., New Henry House, 10 Ice House Street Hong King B.C.C.	214 Shs.	employee
John C. Bove Les Rives Bleues 1197 Prangins, Vaud, Switzerland	1000 Shs.	employee
Franklin Holz 1261 Trelax, Vaud, Switzerland	262 Shs.	employee
Wellan Mac Lean Le Chateau 1030 Bussigny, Vaud, Switzerland	1,030 Shs.	employee
Hilliard Mc Lamore 56 route de l'Etraz 1260 Nyon, Switzerland	354 Shs.	employee
Lance Oswald Grand Rue 1196 Gland, Vaud, Switzerland	1000 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Jehuda L. Bernstein c/o IOS Holland 6-8 Karrel Doormanstraat Rotterdam Holland.	360 Shs.	salesman
Martin Eigen c/o IOS Holland 6-8 Karrel Doormanstraat Rotterdam Holland	270 Shs.	employee
Gail Benn Villa Belvedere 1292 Belmont Sur Lausanne, Switzerland	1000 Shs.	employee
Paul Shay 29 rue de Candolle 1201 Geneve, Switzerland	495 Shs.	employee
Ralph Berens Apt. 161, Tour Residence Morges, Vaud, Switzerland	225 Shs.	employee
Roy P. Franchino c/o Arvig, Via Moise Loria 58 Milano, Italy	180 Shs.	employee
William Rosenblith Tougins 01 Gex, France	225 Shs.	employee
Harold Simpson 48 Avenue Blanc Geneve, Switzerland	130 Shs.	employee
Arnold J. Benton 5 Donnelly Dr. Ridgefield, Conn.	300 Shs.	employee
Dennis Brook 15, Champ d'Anier Geneva 19	120 Shs.	employee
William W. Boehle Route d'Annecy 74 Saint-Julien-En-Genevois, France	180 Shs.	employee
Elliot Adler 444 Madison Avenue New York, New York 10022	1,000 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Howard Burnett c/o ILI, Portland House, Stag Place, Victoria, London S.W.1, England	250 Shs.	employee
Penny Conner Moulin de Flies 01 Flies, France	155 Shs.	employee
Louis Delwart 8 Chemin des Vidollet Vernier, Geneva, Switzerland	369 Shs.	employee
Guy Deschamps c/o ODB 40 rue du Rhone Geneva, Switzerland	160 Shs.	employee
Harvey Felberbaum c/o IOS Administrative S.A. 119 rue de Lausanne Geneva, Switzerland	1000 Shs.	salesman
Benjamin Heirs c/o ODB 40 rue du Rhone Geneva, Switzerland	1000 Shs.	employee
James Larson 32 Chemin Grigg Geneva, Switzerland	180 Shs.	employee
Paul Levasseur c/o OECD, 2 rue Andre Pascal Paris 16e, France	170 Shs.	employee
Guy Lutrell 57 route de Collex 1293-Bellevue Geneva, Switzerland	450 Shs.	employee
Richard Milner 01 Perron, France	222 Shs.	employee
Michael Saltman Villa Portier 01 Cessy, France	130 Shs.	employee
Tex Smiley 17 Chemin du Bouchet 1211 Petit Saconnex Geneva, Switzerland	222 Shs.	employee
Irving Sternfield Residence de la Cote Morges Vaud, Switzerland	180 Shs.	employee

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NAME	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Thomas Sutty 7 Cham d'Anier 1211 Geneva, Switzerland	160 Shs.	employee
George Taylor c/o I.O.S. France Ferney-Voltaire, France	297 Shs.	employee
Patricia Walsh c/o I.O.S. France 01 Ferney-Voltaire, France	59 Shs.	employee
Steve Spitzer 121 Balliol Ap. 415 Toronto, Canada	148 Shs.	salesman
Robert Bonapart Via Sutri 26 Interno 4 Rome, Italy	52 Shs.	salesman
Ray Bushnell c/o ILI Portland House Stage Place Victoria London S.W. 1 England	500 Shs.	employee
Gene Cornfield c/o The Hemispheres Development Corp. 1980 South Ocean Drive Hallandale, Florida 33009	1,000 Shs.	employee
Nina Courson Viale Aeronautica 34 Rome, Italy	1,000 Shs.	salesman
Ernest Mendler c/o ILI, Portland House Stag Place Victoria, London S.W.1 England	250 Shs.	employee
James Pollack c/o ILI, Portland House Stag Place Victoria, London S.W. 1 England	300 Shs.	employee
Nadine Nelson 444 Madison Avenue New York, N.Y.	140 Shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	WITH IOS IN SEPTEMBER 1969
Mike Rhoades c/o Maureen Do Prado Sales Control World 119 rue de Lausanne Geneva, Switzerland	570 Shs.	salesman
Jack Teplitsky c/o ILL, Portland House Stag Place Victoria, London S.W. 1 England	60 Shs.	employee
Jeff Hollander c/o IOS of Canada Ltd. Montreal, Canada	616 Shs.	salesman
Martin O'Malley c/o IOS of Canada Ltd. Montreal, Canada	74 Shs.	salesman
Max Schmutter c/o IOS of Canada Ltd. Montreal, Canada	306 Shs.	salesman
Mary Santos c/o IOS of Canada Ltd. Montreal, Canada	40 Shs.	salesman
David Tucker Banque Rothschild Division Program d'Investissement 12 Place Vendome Paris, France	1000 Shs.	salesman
Earle Jonas c/o IOS of Canada Ltd. Montreal, Canada	344 Shs.	salesman
Milton Cohen Indevco 1580 South Ocean Drive Hallandale, Florida 33009	336 Shs.	employee
Neil Giarratana German Operations 119 rue de Lausanne Geneva, Switzerland	170 Shs.	employee
Reynaldo P. Maduro Alemcaster 345 Mexico 10 DS	1000 Shs.	employee
Lawrence Wildov The Hemispheres Development Corp. 1910 South Ocean Drive Hallandale, Florida 33009	235 Shs.	employee
Luis Conant IOS (H.K.) Ltd. New Henry House P.O. Box 4 10 Ice House Street	616 Shs.	salesman

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Bert Gilman c/o IOS of Canada Ltd. Montreal, Canada	160 Shs.	employee
Antonio Angulo c/o I.O.S. H.K. Ltd. New Henry House 10 Ice House Street Hong Kong	40 shs.	salesman
F. G. Cirencione c/o I.O.S. of Canada Ltd. 501 - 2695 Granville St. Vancouver 9 B.C. Canada	4 shs.	salesman
K. Jean Cox Lessingstrasse 41 6831 Plankstadt Germany	60 shs.	salesman
C. Russell Crosby c/o I.O.S. Elizabeth Strasse 25-11 8 Munich 80 Germany	526 shs.	salesman
A. Culbertson Valencia, Venezuela	108 shs.	salesman
William Deck Ludwigstrasse 8-11 c/o I.O.S. 8 Munich 22 Germany	308 shs.	salesman
Graham Ford Kaiserstrasse 6-11 87 Wuerzburg Germany	70 shs.	salesman
Malcolm Fox 17 Conduit Road Flat B-10 Hong Kong, BCC	1000 shs.	salesman
Shelly Freed c/o Overseas Development Bank 40 Rue de Rhone Geneva	160 shs.	salesman
C. Freeman c/o Finter Bank Chiasso, Switzerland	1000 shs.	salesman
Ralph Goldstein c/o Area Desk South America Ferney Voltaire, France or c/o Information Services P.O. Box A-262 Quito, Ecuador	60 shs.	salesman

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1
Donald D. Graham c/o Servinter S.A. 3 Avenue Val Duchesse Brussels 16, Belgium	148 shs.	salesman
Ray Grasty Marcelo T. De Alvear 776 Buenos Aires, Argentina	50 shs.	salesman
Nat Greenberg 18 Buckingham Mansions West End Lane London NW 6, England	1000 shs.	salesman
Ward Griffing Paseo De La Reforma 2366 Mexico 10, D.F. Mexico	896 shs.	salesman
Norman Gurov Generalagentur Fuer 1.0.50 Kurfuerstendama 180 IV, 1 Berlin 15, Germany	1000 shs.	salesman
Peter Gutlon C.C.P.O. Box 641, Makati, Rizal D-708 Phillipines	168 shs.	salesman
Peter St. Guttridge P.O. Box 4 Pedder Street Hong Kong	312 shs.	salesman
J. Hayden Martin c/o I.O.S., Ltd. 119 rue de Lausanne Geneva, Switzerland	124 shs.	salesman
Thomas Hoffman Via Degli Aranci 14 Castiglioncello, (Livorno) Italy	136 shs.	salesman
C. Hallebecq Apt. 50934, Sabana Grande Caracas. Venezuela	86 shs.	salesman
Dale Holmgren P.O. Box 1513 Taipei, Taiwan	214 shs.	salesman
Robert C. Isensee c/o Information Services CIA Casilla 429 LTDA. Cuenca, Ecuador	70 shs.	salesman

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 19
Jerold I. ...nsee Bankhaus Elluanger und Geiger Kronprinzen Strasse 19 7000 Stuttgert 1, Germany	860 shs.	salesman
Stephen P. Jassinger c/o I.L.I. (U.K.) Ltd. P.O. Box 1054 22 West Moreland Street Freetown, Sierre Leone, West Africa	340 shs.	salesman
Roy Kirkdorffer c/o I.L.I. London, England	1000 shs.	salesman
Peter Krah Postfach 786 87 Wurzburg 2 - Lahr, Germany	20 shs.	salesman
George Laeske Wittunstrasse 3, 7631 Reichenbach-Lahr, Germany	170 shs.	salesman
Stanley Bernard Layton Agentur Fuer I.O.S. Mauerkircherstrasse 4 8 Munich 80 Germany	318 shs.	salesman
Robert Levinsky P.O. Box 9A-151 Panama 9A Republic of Panama	450 shs.	salesman
Richard Lurch Graf von Westphalenstrasse 26 5411 Neuhaeusel, Germany	102 shs.	salesman
Paul St. Marcus c/o Sam Welker P.O. Box 40 7018 Flims-Waldham, Switzerland	200 shs.	salesman
Maurice Talon Winthirstrasse 10 8 Munich 19, Germany	20 shs.	salesman
Russell McClain c/o IVM, Karel Doormanstraat 6-8 Rotterdam, Holland	1000 shs.	salesman
George F. Mills Kantstrasse 16 8 Munich 13, Germany	28 shs.	salesman

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1
Jack R. Missrie Platon No. 342 Mexico 5 DF, Mexico	536 shs.	salesman
Jeri T. Moler P.O. Box 9A-197 Panama 9A Republic of Panama	20 shs.	salesman
Chat T. Montanye P.O. Box 1422 Taipei, Taiwan	20 shs.	salesman
Silvio Musa Ludwigstrasse 8-11 c/o I.O.S. 8 Munich, Germany	86 shs.	salesman
Thomas Overton Casilla De Correo 2829 Correo Central, Buenos Aires Argentina	312 shs.	salesman
Lawrence Palmer Agentur I.O.S. Bleichstrasse 2 6 Frankfurt-M Germany	1000 shs.	salesman
Wayne Parkinson P.O. Box 1876, Bangkok, Thailand	732 shs.	salesman
Robert H. Patterson c/o Indevco Ferney-Voltaire, France	262 shs.	salesman
Sonny Pelz Lava 281 Mexico 20 D.F., Mexico	60 shs.	salesman
Magda Pratt c/o I.O.S. in Deutschland GmbH, Immerannstrass 4 Dusseldorf, Germany	200 shs.	salesman
Charles Fontaine c/o I.O.S. Ferney-Voltaire, France	800 shs.	salesman
Maurice Rosen Servinter S.A. 3, Avenue Val Duchesse, Brussels 16, Belgium	300 shs.	salesman

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 196
Felix Ross c/o M. Aminadov Prinsensgate 6 Oslo 1 Norway	506 shs.	salesman
Joseph Sands c/o Servinter S.A. 3 Avenue Val Duchesse Brussels 16, Belgium	736 shs.	salesman
Lionel Schiff c/o I.L.I. Park House London W. 1, England	1000 shs.	salesman
Alvin Schleifer 25 Upper Brook Street London W. 1, England	750 shs.	salesman
A. H. Schleifer Banque Pariente, A/C A.H. Schleifer 5 Rue de la Confederation, Geneva, Switzerland	750 shs.	salesman
G. Schultheis Agentur Fuer I.O.S. Schleissheimerstrasse 270 Munich 13, Germany	202 shs.	salesman
George Scott c/o I.O.S., Fine Arts Development Ferney Voltaire, France	458 shs.	salesman
Don Shaprow Servinter S.A. 3 Avenue Val Duchesse Brussels 16, Belgium	1000 shs.	salesman
Ralph O. Sherberg Servinter S.A. 3 Avenue Val Duchesse Brussels 16, Belgium	310 shs..	salesman
Ted Shigeno CPO Box 800 Naha, Okinowa	112 shs.	salesman
Gilbert Sid Carrere 20 3721 Bogota Colombia	420 shs.	salesman
William Simmons Immannstrasse 6 c/o I.O.S. 4 Dusseldorf, Germany	162 shs.	salesman

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NAME AND ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH ICS IN SEPTEMBER
Hal Sondock Oettingenstrasse 68 8 Munich, 22, Germany	12 shs.	salesman
James Spolyar Ludwigstrasse 8-11, 8 Munich 22, Germany	110 shs.	salesman
Thomas Staffieri c/o Servinter S.A. 3 Avenue Val Duchesse Brussels 16, Belgium	220 shs.	salesman
Jerome Stevens Bondegatah 60 Stockholm, Sweden	395 shs.	salesman
Lawrence Stiner Gassnerstrasse 31-2, 8 Munich 19, Germany	152 shs.	salesman
Ed Thorn Luisenstrasse 28 62 Wiesbaden, Germany	1024 shs.	salesman
George R. van Holden Denningerstrasse 110-V 8 Munich 81, Germany	56 shs.	salesman
Richard Watt New Henry House Ground Floor 10 Ice House Street Hong Kong, B.C.C.	90 shs.	salesman
Samuel Welker P.O. Box 40 7018, Flims-Waldhaus, Switzerland	951 shs.	salesman
Martha R. Welker P.O. Box 40 7018, Flims-Waldhaus, Switzerland	130 shs.	salesman
W.Z. Brauner c/o Mary Anne Leland Appartado 72-876 Mexico 72 D.F., Mexico	90 shs.	salesman
Steve Zarlenga Taksiarhon No. 60 Kalamaki, Athens, Greece	312 shs.	salesman

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NAME AND ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 19[illegible]
Patrick Lucier c/o Agentur Fuer I.O S. Mauerkircherstrasse 4 8 Munich 80	1000 shs.	salesman
David S. Behar c/o Agencia de I.O.S. de Panama S.A., P.O. Box 8240 Panama 7, Republic of Panama	720 shs.	salesman
Paul N. Underwood c/o Agencia de I.O.S. de Panama S.A. P.O. Box 6240 Panama 7, Republic of Panama	30 shs.	salesman
Patrik Brocato c/o Finter Bank 6830 Chiasso, Switzerland	1000 shs.	salesman
Marc Binayart Via Bevagna 96 Rome 00191, Italy	102 shs.	salesman
Allan Bogen Gleiss Buehlstrasse 10 85 Nurnberg, Germany	742 shs.	salesman
Weldon Bigony c/o David Martin P.O. Box 1513 Taipei, Taiwan	54 shs.	salesman
Charles R. Bade Gegenhaurstrasse 1 69 Heidelberg, Germany	288 shs.	salesman
Jan Bischoff Kursiefenerstrasse 6A 5074 Odenthal, Germany	120 shs.	salesman
Joseph Brubaker Agentur Fuer I.O.S. Mauerkircherstrasse 45 8 Munich 27, Germany	1000 shs.	salesman
Maurice Talon Winthirstrasse 10 8 Munich 19, Germany	20 shs.	salesman
Charles Werner Helenerstrasse 31 3 Hanover, Germany	20 shs.	salesman
Bret Davidson c/o INTERFOND Box 14014 104 40 Stockholm, 14 Sweden	1000 shs.	salesman

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NAME & ADDRESS	SHARES	NOT IN SETTLEMENT
Edward Hurley c/o Sperry Rand NYON, Switzerland	152 shs.	employee
Sharah Jane Keyser c/o Sperry Rand NYON, Switzerland	194 shs.	employee
Marjorie Agabehov c/o I.O.S. Administrative, Geneva 119 rue de Lausanne Geneva, Switzerland	82 shs.	employee
Karen Hart c/o I.O.S. Administrative, Geneva 119 Rue de Lausanne Geneva, Switzerland	153 shs.	employee
Stephan M. Aubert c/o Maison Mainou Plessy Vandeuores, Switzerland	47 shs.	employee
Ralph Dudrow c/o I.O.S. Administrative 119 rue de Lausanne Geneva, Switzerland	129 shs.	employee
Maxim Barmet c/o I.O.S. France Ferney-Voltaire, France	114 shs.	employee
Ellen L. Bergeron c/o I.O.S. France Ferney-Voltaire, France	49 shs.	employee
Alain Bougard c/o I.O.S. France Ferney-Voltaire, France	70 shs.	employee
Nikki Burrows c/o I.O.S. France Ferney-Voltaire, France	153 shs.	employee
Michael Castor c/o I.O.S. France Ferney-Voltaire, France	91 shs.	employee
Joseph Colombo c/o I.O.S. France Ferney-Voltaire, France	181 shs.	employee
Juliette Conviser c/o I.O.S. France Ferney-Voltaire, France	62 shs.	employee
Ina Vieira De Sa c/o I.O.S. France	104 shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 19
Isidro De Sa c/o I.O.S. France Ferney-Voltaire, France	41 shs.	employee
Myriam Delaby c/o I.O.S. France Ferney-Voltaire, France	28 shs.	employee
Donna Dunn c/o I.O. S. France Ferney-Voltaire, France	20 shs.	employee
Olga Folus c/o I.O. S. France Ferney-Voltaire, France	46 shs.	employee
Virginia Giebel c.o I.O.S. France Ferney-Voltaire, France	28 shs.	employee
Adler Hammond c/o I.O.S. France Ferney-Voltaire, France	28 shs.	employee
Mary Hanrahan c/o I.O.S. France Ferney-Voltaire, France	91 shs.	employee
Brown Newton Harrison c/o I.O.S. France Ferney-Voltaire, France	176 shs.	employee
Timothy Harrison 24 Rue du Mont Blanc, Geneva, Switzerland	165 shs.	employee
Denise Herrera c/o I.O.S. France Ferney-Voltaire, France	95 shs.	employee
Kathleen M. Hieber 29 Chemin de Palettes Grand Lancy Geneva, Switzerland	119 shs.	employee
Julia Holz c/o I.O.S. France Ferney-Voltaire, France	100 shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 19
Kellogg J. Hocker c/o I.O.S. France Ferney-Voltaire, France	73 shs.	employee
Robert P. Lasson c/o I.O.S. France Ferney-Voltaire, France	18 shs.	employee
Douglas MacKinnon c/o I.O.S. France Ferney-Voltaire, France	251 shs.	employee
Marjorie McGee c/o I.O.S. France Ferney-Voltaire, France	49 shs.	employee
Mary McGettigan c/o I.O.S. France Ferney-Voltaire, France	31 shs.	employee
Emily Milden c/o I.O.S. France Ferney-Voltaire, France	34 shs.	employee
John Munch c/o I.O.S. France Ferney-Voltaire, France	128 shs.	employee
Luis Munoz c/o I.O.S. France Ferney-Voltaire, France	128 shs.	employee
Mary Claire Ogaard c/o I.O.S. France Ferney-Voltaire, France	133 shs.	employee
Stephanie A. Pace c/o I.O.S. France Ferney-Voltaire, France	59 shs.	employee
Riccard Ela Paloscia B.P. 2136 Petit Saconnex 1211 Geneva, Switzerland	106 shs.	employee
Anne Plapinger c/o I.O.S. France Ferney-Voltaire, France	34 shs.	employee
Rudolph Platky c/o Lloyds Bank [illegible]e Ltd. Place Bel Air 1200 Geneva, Switzerland	68 shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 196
Paula Ringo c/o I.O.S. France Ferney-Voltaire, France	54 shs.	employee
Saresta Rosenberg c/o I.O.S. France Ferney-Voltaire, France	32 shs.	employee
Diann Salazar c/o I.O.S. France Ferney-Voltaire, France	38 shs.	employee
James Sanders c/o I.O.S. France Ferney-Voltaire, France	79 shs.	employee
Martin S. Sigman c/o I.O.S. France Ferney-Voltaire, France	85 shs.	employee
Carolyn Skahill c/o I.O.S. France Ferney-Voltaire, France	65 shs.	employee
Mary J. Stevenson c/o I.O.S. France Ferney-Voltaire, France	47 shs.	employee
Roger Thorpe c/o I.O.S. France Ferney-Voltaire, France	191 shs.	employee
Susan K. Trowbridge c/o I.O.S. France Ferney-Voltaire, France	17 shs.	employee
Byer Dina 13625 S.W. 79th Ct. Miami, Florida 33158	50 shs.	employee
Susan Lorraine Edwards 611 S.W. 70 Terrace West Hollywood, Florida 33023	50 shs.	employee
Lillian Danker Glenn c/o The Hemispheres 1980 Ocean Drive Hollandale, Florida	65 shs.	employee
Vicki Zimmerman Padgett c/o The Hemispheres 1980 Ocean Drive Hollandale, Florida	50 shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Patricia E. Pavelka c/o The Hemispheres 1980 Ocean Drive Hollandale, Florida	40 shs.	employee
Nathan Margulies I.O.S. Munich Pre-Process Center Ludwigstrasse 8-4 8 Munich 22 Germany	36 shs.	employee
Mary Lou Darrow I.O.S. Munich Pre-Process Center Ludwigstrasse 8-4 8 Munich 22 Germany	60 shs.	employee
Karen Fokken I.O.S. Munich Pre-Process Center Ludwigstrasse 8-4 8 Munich 22 Germany	30 shs.	employee
Patricia Haynsworth Leary 5 rue de Colombier Geneva, Switzerland	139 shs.	employee
Grace Filorimo 119 rue de Lausanne Geneva, Switzerland	84 shs.	employee
Ann Gregory c/o Credit Renco S.A. 16 Place Longemalle Geneva, Switzerland	132 shs.	employee
Sue Housman c/o I.O.S. Administrative 119 rue de Lausanne Geneva, Switzerland	78 shs.	employee
David Reese Jahannistrasse 2 85 Nurenberg, Germany	800 shs.	employee
Frances Jorgensen c/o Harris, Kerr, Forster & Co. 420 Lexington Avenue New York, New York	38 shs.	employee

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 19
Jane Berglund c/o I.O.S. France Ferney Voltaire, France	44 shs.	employee
Iris G. Rett c/o William Sayad Jr. Nassau, Bahamas or POB 8372 Coral Gables, Florida	90 shs.	employee
Colette Mordo 26 Rue Dufrenoy Paris 16, France	162 shs.	employee
Marcela Grobman c/o Agencia de I.O.S. de Panama, Panama	30 shs.	employee
Keyle Goldstein Information Services P.O. Box A-262 Quito, Ecuador	35 shs.	employee
Evelyn Borner c/o George W. Scott Immenmannstrasse 6 4 Dusseldorf, Germany	90 shs.	employee
Angie Vukovic c/o Hamish Munro 3 Avenue Val Duchesse, Brussels, Belgium	27 shs.	employee
Leo Baumann c/o IOS (Canada) Ltd. 1253 McGill College Road Montreal 2, Quebec.	297 shs.	employee
Edwin Leopold c/o Sperry Rand, NYCN, Switzerland	232 shs.	employee
George Scott 6 Swan Walk London S.W. 3	785 shs.	salesman
Richard Milner c/o ILI, Portland House Stage Place London S.W. 1	160 shs.	employee
Harvey Mitchel c/o IOS 119 rue de Lausanne Geneva, Switzerland	220 shs.	employee
Mel D. Gottlieb 1110 Sherbrooke St. W Montreal, Quebec	342 shs.	employee

44 Champs Elysees
1910 South Ocean Drive
Hallandale, Florida 33009

Luis Conant — 616 Shs. — salesman
IOS (H.K.) Ltd. New Henry House
P.O. Box 4
10 Ice House Street

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Eugene Cornfield The Hemispheres 1980 Ocean Drive Hallandale, Florida	270 shs.	employee
John Parry c/o I.O.S. 119 rue de Lausanne Geneva, Switzerland	201 shs.	employee
Paul H. Henson I.O.S. Admin. 119 rue de Lausanne Geneva, Switzerland	130 shs.	employee
Mitchell Mayer c/o Hemispheres 1980 Ocean Drive Hallandale, Florida	225 shs.	employee
Herbert Robin c/o Hemispheres 1980 Ocean Drive Hallandale, Florida	200 shs.	employee
Michael O' Connel c/o I.O.S. Communications Dept. Ferney-Voltaire, France	150 shs.	employee
Jerome Stevens Bondegatah 60 Stockholm, Sweden	175 shs.	salesman
Henry Carnegie 44 Champs Elysees Paris, France	600 shs.	employee
Daniel Deeter 8191 Schlederloh Haus 23 Germany		salesman
Joseph Gold c/o Mr. Selvi 15 Quai Des Bergues Geneva, Switzerland	800 shs.	employee
William Haynes c/o I.O.S. Recruitment & Training 119 rue de Lausanne Geneva, Switzerland	160 shs.	employee
Barry Sterling 44 Champs Elysees	1,000 shs.	employee

P.O. Box A-[illegible]
Quito, Ecuador

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Burton Wolff La Tourelle 1294 Genthod Geneva, Switzerland	1,000 shs.	employee
Irving Adelson c/o Hemispheres 1980 Ocean Drive Hallandale, Florida	234 shs.	employee
Richard Buechner Mooswiesstrasse 6 8122 Pfaffhausen Zurich, Switzerland	200 shs.	employee
Chuck Lahm c/o I.O.S., Ltd. 119, rue de Lausanne Geneva, Switzerland	360 shs.	employee
Carl J. Van Tassel 21 rue de L'Abbe Gregory Paris, France	170 shs.	employee
Paul Heyman 5623 McAlear Ave. Montreal, 268, Quebec	70 shs.	salesman
Robert Fresh c/o I.O.S., Ltd. 119 rue de Lausanne Geneva, Switzerland	115 shs.	employee
*R. Dekoven 88-221-Wellington Crescent Winnipeg, Manitoba	104 shs.	salesman
Harold Newell La Salle Towers 20 North Shore Boulevard West Burlington, Ontario	600 shs.	salesman
Robert J. Lauria c/o I.O.S., Ltd. 119 rue de Lausanne Geneva, Switzerland	324 shs.	employee

* R. Dekoven is the spouse of Max Dekoven, a salesman. Apparentl Mr. Dekoven's shares were registered in his wife's name.

P.O. Box 1513
Taipei, Taiwan

Robert C. Isensee
c/o Information Services CIA
Casilla 429 LTDA.
Cuenca, Ecquador

70 shs. salesman

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NAME & ADDRESS	NUMBER OF SHARES	RELATIONSHIP WITH IOS IN SEPTEMBER 1969
Robert Cooper 21 Avenue de Bude Geneva, Switzerland	982 shs.	employee
Feb Grumann I.O.S. Administratif Ferney-Voltaire, France	245 shs.	employee
Kenneth Harding Overseas Development Bank 40, rue du Rhone Geneva, Switzerland	1000 shs.	employee
Thomas Holland I.O.S., Ltd. 119, rue de Lausanne Geneva, Switzerland	147 shs.	employee
E. Glenn Isaacson c/o I.O.S. France Ferney-Voltaire, France	280 shs.	employee
Robert Jacobs 421 Conrad Rd. Englewood, N.J.	290 shs.	employee
Murray Rayburn I.O.S. France Ferney-Voltaire, France	325 shs.	employee
I.O.S. Foundation of Delaware c/o I.O.S., Ltd. 119 rue de Lausanne Geneva, Switzerland	662,895	

Russell Reclain
c/o IVM, Karel Doormanstraat 6-8
Rotterdam, Holland

George F. Mills
Kantstrasse 16
8 Munich 13, Germany

28 shs. salesman

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J. H. CRANG & CO.

INTER-OFFICE MEMO

Have Ptd.
6/6/73 mp

To: PARTNERS, BRANCH MANAGERS and REGISTERED REPRESENTATIVES

From: Murray J. Howe

Subject: Proposed New Issue I.O.S., Ltd.

Date: August 29, 1969

As mentioned previously the above company intends to offer common shares to the public for the first time. I.O.S., Ltd. is a corporation that, through over 80 subsidiaries offers a wide range of financial services in over 100 countries of the world. These services include mutual fund sales, mutual fund management, real estate development and management, banking and insurance companies. The I.O.S. group of companies has over 3,000 executive and administrative employees and over 13,000 salesmen to service over 800,000 clients. As the corporate structure is quite complex, we would ask that everyone take the time to read the Preliminary Prospectus which gives what we believe to be a comprehensive story of the I.O.S. group.

The offering of common shares of I.O.S., Ltd. to the public will total approximately $120,000,000. which will represent 20% of the total number of shares outstanding of the company. This new issue will be offered in Canada, the United Kingdom, Europe and other countries. The portion that will be offered in Canada (all Provinces) for Canadian distribution only, will approximate $15,000,000. J. H. Crang & Co. will be managing underwriter and will form a group of 10 to 12 of the leading investment firms in Canada to distribute this portion. The Canadian, United Kingdom and European offerings will all be coordinated to be offered on or about September 24th. The issue price which will not be set until 3 or 4 days before the official offering date, will be between $10 and $11 per share which, incidentally, works out to be approximately 15 times current earnings.

You will note in the prospectus, that the capitalization of the company is comprised of preferred and common shares. The preferred shares are not preferred shares in the traditional sense but rather, a separate class of common shares. The reason for these preferred shares is simply to accommodate the traditional "I.O.S. Stock Option Plan" (see page 24 of the Preliminary Prospectus). It was extremely important that any restructuring of the capitalization, in order to facilitate I.O.S., Ltd. going public, that the then existing Stock Option Plan of the company remain intact. We can assure you that one of the main reasons for

by Head Office.

Maurice Rosen Servinter S.A. 3, Avenue Val Duchesse, Brussels 16, Belgium	300 shs.	salesman

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closed in the prospectus, there are certain restrictions on the conversion of the preferred shares to common (on a 1 for 1 basis) that are very beneficial to the company. For instance, an employee is not permitted to convert his preferred shares to common shares until after he has been with the company for 10 years (5 years in the case of persons 55 years of age) and then, only to the extent of 10% per annum thereafter (20% in the case of 60 years of age). Incidentally, and this is important, when talking price earnings ratio or discussing total number of shares outstanding, we talk about total shares outstanding--both preferred and common.

Indications are that this issue will be very heavily oversubscribed and one of the conditions of the Underwriting Agreement between J. H. Crang & Co. and I.O.S., Ltd. calls for Crang & Co. and the dealer group we put together, to affect as wide a distribution as possible. Therefore, we would prefer that our clients receive allotments at issue price of 100 to 200 shares. In no event is any client, including his immediate family, to receive in excess of 500 shares. Crang & Co. and any other dealers they bring into the distribution group, undertake that they will not knowingly sell, at the initial offering price, to a citizen of the United States resident in Canada. That they will not knowingly confirm shares, at the initial offering price, to any I.O.S. employee in Canada or members of his direct family (direct family being defined as spouse, sons and daughters). The three conditions previously mentioned include, indirectly. If, for instance, a United States citizen resident in Canada or an I.O.S. employee or his immediate family suggests that they could order through a bank, trust company, et cetera, you are not to accommodate this order.

The gross commission credit will be approximately 3½% of the offering price.

We are sure that everyone will find the reading of the prospectus most informative as we believe this company has great potential. While you will find it interesting you will also, no doubt, find it most complex and I would suggest you direct any questions to myself or through Jack Leishman. However, I would strongly recommend that the prospectus be read at least 2 or 3 times before making your inquiries.

We are preparing a sales memorandum which will be available shortly. As usual, we caution you that orders are not to be solicited until you are told by Head Office.

162 PA

3721 Bogota
Colombia

162 shs. salesman

William Simmons
Immannstrasse 6 c/o I.O.S.
4 Dusseldorf, Germany

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INTLX MOM
INTLX MTL 10+
CRANGCO TOR

PTS
05222550+

NP

22550A IOS CH+
CRANGCO TOR

GA

TORONTO AUG 25/69

ATTN EDWARD M. COWETT

BEEN UNABLE TO REACH YOU BY PHONE. BEFORE FORMALIZING CANADIAN UNDERWRITING GROUP AND SETTING PERCENTAGE PARTICIPATIONS WOULD LIKE TO CLEAR ON THE FOLLOWING :

1. REGARDLESS OF MULTIPLE OF STOCK SPLIT AND ISSUE PRICE, WILL CANADIAN PARTICIPATION STILL BE US DOLLARS TWELVE MILLION EXCLUDING IOS OF CANADA DISTRIBUTION?

2. BASED ON APPROXIMATELY 2/3 TREASURY AND 1/3 SECONDARY AND AN ISSUE PRICE OF 10 DOLLARS U.S., WHAT WILL BE APPROXIMATE TOTAL UNDERWRITING?

3. BASED ON 10 DOLLARS U.S. ISSUE PRICE AND TWO THIRDS/ONE THIRD OFFERING, WHAT PRICE EARNINGS RATIO? BASED ON WHAT FIGURES AND WHETHER RATIO IS BEFORE OR AFTER TREASURY OFFERING TO THE PUBLIC?,

4. RE MAXIMUM OF 10,000 SHARES TO ''BONAFIDE'' INSTITUTIONS, THIS CONDITION IN THE CANADIAN BANKING GROUP AGREEMENT WOULD IN MY OPINION RESULT IN TOO HEAVY A PERCENTAGE OF THE CANADIAN UNDERWRITING IN INSTITUTIONAL HANDS. WOULD SUGGEST RESTRICTING ALL CANADIAN DISTRIBUTION TO THE 1,000 SHARES. CONCEIVABLY THIS COULD RESULT IN A FEW INSTITUTIONS GETTING 1,000 SHARES FROM EVERY MEMBER OF THE BANKING GROUP (12 TO 15) BUT HIGHLY UNLIKELY. YOUR COMMENTS?

5. WILL ALL MEMBERS OF THE U.K. AND EUROPEAN DISTRIBUTING GROUP BE RESTRICTED TO NON-CANADIAN DISTRIBUTION, PARTICULARLY THE CANADIAN FIRMS PARTICIPATING?

6. FOR CHRIS SONNE - YOU SUGGESTED FOLLOWING FOREIGN OFFICES OF CANADIAN FIRMS WOULD PARTICIPATE IN U.K. AND EUROPEAN UNDERWRITING, WOOD GUNDY, AMES, GREENSHIELDS, PITFIELD, NESBITT AND DOMINION SECURITIES. IS THIS LIST NOW COMPLETE? MARTIN BROOKE SUGGESTED MILLS SPENCE. DID HE MENTION TO YOU?

ED, HAVE A MEETING WITH BENNETT, ZIMMERMAN AND PRINTER TUESDAY EVENING. HOPE TO FILE WITH COMMISSIONS PRELIMINARY PROSPECTUS WEDNESDAY. I WILL HAVE CANADIAN BANKING GROUP, TSE AND MSE SET AND REPORTED TO YOU PRIOR TO SEPTEMBER 8TH, WHICH I UNDERSTAND IS THE DATE INVITATIONS GOING OUT TO U.K. AND EUROPEAN UNDERWRITERS.

IF CONVENIENT REPLY TO ABOVE ENQUIRIES BY TELEX. I WILL BE BACK IN TORONTO TUESDAY 2 P.M. TORONTO TIME.

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Telex

Mr. Edward M. Cowett

IOS Geneva

Re listing LTD. Toronto and Montreal exchanges, I quote Drexel Harriman via Grayson Murphy. "Love to help you but ----------". Therefore listing will take place Monday December 29th. For publicity purposes it would be helpful if someone like yourself or James Roosevelt could be on the floor of the exchange that morning. However, if no one is available from Geneva I will ask Ira Weinstein to come up. Please let me know.

Regards.

Murray Howe.

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SHEARMAN & STERLING

20 EXCHANGE PLACE

NEW YORK 10005

BOWLING GREEN 9-8500

CABLE "HUMLATUS"

FREDERICK W. EATON
HENRY B. GUTHRIE
CLIFFORD W. MOMDEN
DOUGLAS B. STEIMLE
GEORGE W. PIDOT
HENRY HARFIELD
WALTER P. PEASE
ROBERT L. CLARE, JR.
THOMAS A. O'BOYLE
PATRICK J. GROMMET
C. BEDFORD JOHNSON
WILLIAM ROCKEFELLER
THOMAS L. HIGGINSON
HAMILTON HADDEN, JR.
HANS H. ANGERMUELLER
JAMES R. ROWEN
THOMAS R. MANGLE
EDWARD HALLAM TUCK
DAVID T. MCGOVERN
ARNE MONDSHEIN
R. BRUCE MACMASTER
PAUL R. WELTCHER
ARTHUR NORMAN FIELD
PETER P. NITZE
STEPHEN R. VOLK
HENRY S. ZIEGLER
THOMAS A. DIETERICH
ROBERT M. MACKINNON

GRAYSON M-P MURPHY
ROBERT NIAS WEST
JOHN A. WILSON
HENRY JAMES
GILBERT ERLIN
ERIC M. HAGER
THOMAS F. FENNELLY, 3
CHARLES GOODWIN, JR.
JOHN R. A. BEATTY
THOMAS P. FORD
ROBERT M. KNIGHT
UTTO CROUSE
JOSEPH A. DOYLE
D. CHRISTIAN GAUSS
CHARLES C. PARLIN, JR.
MICHAEL V. FORRESTAL
WILLIAM D. CARROLL
HAROLD J. CAM
ROBERT M. FEELY
ROBERT CASSWELL
STANLEY I. RUBENFELD
HENRY M. CONNELLY
JOHN E. HOFFMAN, JR.
ABBIE R. THALACKER
JOHN W. WEISER
EDWARD BRANSILVER
SAMUEL FRANKENHEIM
ALAN H. WRIGHT

CHARLES C. PARLIN
COUNSEL
JOSEPH W. DRAKE
CHAUNCEY B. GARVER
ANDREW AINSPATRICK

MIDTOWN OFFICE
399 PARK AVENUE
NEW YORK 10022

EUROPEAN OFFICES

23, RUE ROYALE
PARIS VIII
ANJOU 10-23
"HUMLATUS PARIS"

388, AVENUE LOUISE
BRUSSELS 5
(TEL) 49 80 80
"HUMLATUS BRUSSELS"

September 11, 1969

John Heneghan, Esq.
Assistant Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
Washington, D. C. 20549

Re: I.O.S., Ltd.

Dear Mr. Heneghan:

In accordance with your request in our telephone conversation today, I have forwarded to counsel for I.O.S., Ltd., the parent of Investors Overseas Bank, and to counsel for J. H. Crang & Co. of Toronto copies of your letter to me dated September 8, 1969 though your letter referred only to the offering by Investors Overseas Bank. Incidentally I might mention that both of those offerings are secondary offerings--offerings of shares owned by shareholders of I.O.S. rather than shares to be issued by I.O.S.

As I told you on the phone our client, Drexel Harriman Ripley, Incorporated ("DHR"), which is heading the offering of shares to be issued by I.O.S., is taking unusually careful precautions to see to it that none of the shares offered by it or by other underwriters in the syndicate headed by it are offered or sold in the United States or to United States persons. Actually, the DHR Agreement Among Underwriters and the DHR Selling Agreement go even further and prohibit sales in Canada or Mexico as we did not want to run the risk that any of the shares underwritten by the DHR syndicate will get across the border from either of those countries to the United States. As stated in our previous correspondence the Investors Overseas Bank offering and the J. H. Crang & Co. offering are separate offerings and we have, of course, no power to control or supervise them.

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As you doubtless realize we are familiar with the unfortunate history of litigation between I.O.S. and the Commission, and both DHR and we as its counsel are particularly anxious for this reason that the offering headed by DHR be made in a way that the Commission would approve of even though it is made completely outside the United States and to persons who are not United States persons.

Sincerely yours,

GM-PM:ad

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Q Were there any beneficial effects as a result of the IOS offering upon Drexel's domestic operations?

A I don't think so.

Q What were the detrimental effects?

A Well, the detrimental effects were that when IOS got in serious difficulties and it was disclosed that the application proceeds of the issue had been used for purposes other than as stated in the prospectus, that I would think that Drexel's foreign securities business diminished.

Q In fact, did Drexel's foreign securities business diminish?

A Yes.

Q Did the IOS public offering have any effect upon other brokerage firms in the United States?

MR. BUSCHMAN: Objection as to form.

A I would have no knowledge of that.

Q Did the IOS public offering have any effect upon the participation by U.S. firms in foreign offerings?

MR. BUSCHMAN: Same objection.

A Again, I have no knowledge.

Q Did the IOS public offering have any effect upon the ability of American companies to market their securities abroad?

Rudolph Platky
c/o Lloyds Bank [illegible] Ltd.
Place Bel Air
1209 Geneva, Switzerland

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of the term "agent."

THE WITNESS: I would like the question read back.

(The question was read.)

A I think it was generally public information that IOS had a certain number of American sub advisers.

Q Which activities of IOS were managed by Americans?

MR. SCHWARTZ: I object to the form of the question.

I don't know what you mean by "managed by Americans."

If the witness thinks he can answer it, he can.

A I would say IOS' entire business was managed by Americans. Cornfeld and Cowett were both Americans. If that's what you mean.

Q Was the fact that Cowett and Cornfeld were Americans, in your opinion generally well known?

A Yes, I think it was.

Q Did you consider the IOS public offering to be a successful one?

MR. SCHWARTZ: I really don't see what that has to do with the issues of subject matter, jurisdiction and class determination.

Vicki Zimmerman Padgett
c/o The Hemispheres
1980 Ocean Drive
Hollandale, Florida

Tight Money Turnabout

Yankee Dollar Is Marching Home Again, Joined by Big Flow of European Capital

By Ray Vicker
Staff Reporter of The Wall Street Journal

ZURICH, Switzerland—The American dollar is going home, and it's being joined by a massive flow of other European capital to the U.S.

The dollars are part of a multibillion dollar hoard built up by Europeans because the U.S. for years was spending, lending and giving away more money overseas than it was getting from export sales and other transactions. Such dollars helped to finance Europe's postwar recovery.

But now money is so tight in the U.S., as evidenced by yesterday's "prime" rate increases, that American banks and corporations are willingly paying big premiums to European lenders to rent those foreign-held dollars, called Eurodollars, mostly for use back home.

Dollars, though, aren't alone in moving westward across the Atlantic. Even in the face of declining stock prices in the U.S., Europeans are digging into their savings in increasing numbers to invest in American securities, or European mutual funds that do the investing for them.

This westward trek of money is shriveling the amount of capital, especially dollars, available in Europe for financing expansion and trade. "They are sucking money out of the woodwork in Europe," says Paul Erdman, vice chairman and chief executive officer of Salik Bank, Basel, Switzerland. The flow, furthermore, is working to push up money rates generally throughout much of Europe.

Balance of Payments Aided

For the U.S., of course, the capital flow is helping to balance the nation's payments account with the rest of the world.

The dimensions of the European dollar holding, and the exact amount being returned, still are largely unknown, but some estimates are available. Alfred Schaefer, chairman of Union Bank of Switzerland, puts the total amount of dollars owned by Europeans, or held in European banks, at $23 billion. "About half of the whole Eurodollar volume" has been returned to the U.S., he says. "There are signs," he argues, "that the Eurodollar market is beginning to get a little dry."

U.S. banks and corporations are competing vigorously for this supply.

In the first 2½ months of this year, U.S. banks gobbled up $3 billion of the Eurodollars in short-term borrowings, boosting their total outstanding to more than $9 billion. The interest rate recently has been more than 8.5%.

Such borrowings represent a sharp turnabout for the American banks. In past years, U.S. banks have been lending more money overseas than they have been borrowing back. This outflow of dollars had prompted Government restrictions on American bank lending abroad.

Tight money conditions in the U.S. changed all that. "The Eurodollar market is the only source of liquidity still available to commercial banks," explains Richard L. Bristow, manager of underwriting in London for White, Weld & Co.

Chauncey Schmidt, a vice president in London for First National Bank of Chicago, says that "an awful lot of American banks headquartered outside New York which have never bothered with Eurodollars before are now tapping the market here."

Overseas Branches Blossom

Indeed, American banks have more branches outside the U.S. to do the tapping. As of last month, 27 American banks operated branches overseas, double the number of a scant two years ago. The total number of overseas branches has jumped in the two years to 388 from 244.

Corporations, too, have been drawing on the European store. A considerable number of companies have been floating bond issues in Europe, denominated in either dollars or other strong currencies, to pay for projects overseas, in compliance with Government controls on investments abroad.

Total U.S. corporate borrowing on the Eurobond market, as it's called, spurted last year to $1.9 billion from $527 million in 1967, according to White, Weld. American Eurobond loans in the first two months of this year declined to $360 million from $496.5 million a year before, but last year's figure was bloated by new Johnson Administration restraints on overseas investments. Borrowing in those two 1968 months, alone, exceeded all that had been raised in the 12 months before.

According to Mr. Bristow: "There's no indication yet that the ultimate demand has been reached in the Eurobond market."

Europeans Begin to Fret

Some European fiscal authorities are starting to fret that the heavy borrowing by banks and companies is pinching the supply of dollars available in Europe. "It already is a very tight market," says an official of Credit Suisse. Barry Sullivan, a vice president and manager of Chase Manhattan Bank's London office, agrees. "Eurodollars here are getting a lot scarcer than they were last year," he says. "The pool gets smaller and smaller."

European money markets could get a little tighter, too. Not long ago, some European central banks were pumping funds into the Eurodollar market to keep the interest rate below 8.5%. Today that appears to be a losing battle.

Last week, for instance, the Italian central bank sold lira at a fast clip to gather a supply of foreign exchange lest Italy's liquidity be restricted by a dollar shortage. Swiss bankers estimate that the Italians collected anywhere from several hundred million to a half billion dollars.

The Swiss, themselves, also are expected to go on the market soon to buy a couple of hundred million dollars, again to protect internal liquidity.

European Investment Soars

Burgeoning European interest in American securities is swelling the capital outflow across the Atlantic to the U.S. Not even sagging prices on U.S. securities exchanges have been able to slow the tide.

"The American market is still the only gambling house in town," says Mr. Sullivan of Chase Manhattan. Asks an official of Swiss Bank Corp. in Basel: "Where else can you put it? There is no other market that can accommodate the funds currently available for investing."

Such investments by foreigners in American common stocks soared last year to $2.3 billion from $757 million in 1967. In 1968, by contrast, foreigners sold $333 million more than they bought.

Member firms of the New York Stock Exchange were there to cash in on the trend. They operated 233 branches at the end of 1968, up from 210 in 1967 and 188 in 1966.

Mutual funds have been aggressive sellers. By one estimate, some 70 funds are operating outside the U.S., chiefly from such low-tax havens as the Bahamas or Panama, selling their shares principally in Europe and the Middle East. "At the present rate of growth there will be 200 such funds in another two years," predicts Rene de Chochor, president of Securities Management Corp., a Geneva fund distributor that handles the Chase Selection Group's overseas funds.

The bulk of the money raised is going for U.S. stocks. Investors Overseas Group, one of Europe's biggest mutual-fund organizations, single-handedly accounted for a flow of $430 million to the U.S. last year, according to Edward M. Cowett, executive vice president.

The company dispatched $350 million in 1967, "and this year we will account for a minimum contribution of $700 million," he asserts.

Phelps Dodge Unit Says It's Raising Surcharge On Copper Products

Rate Is 1½ Cents a Pound Higher; Company Also Follows Tubing Boost by Kennecott Subsidiary

By a Wall Street Journal *Staff Reporter*

NEW YORK—Phelps Dodge Copper Products Corp., a Phelps Dodge Corp. subsidiary, said it's increasing its surcharge on all bare and tinned wires and cables, copper in rolls (strip), drawn copper (bar), and square and rectangular wire.

The new surcharge will amount to $0.0515 a pound of copper content, up from $0.0365 a pound of copper content. The increase will become effective with shipments April 1.

Phelps Dodge Copper Products also said it's following Chase Brass & Copper Co., a Kennecott Copper Corp. subsidiary, in increasing prices on various copper water tube and pipe, effective with shipments tomorrow.

All hard-temper copper water tube, types K,

Lease Now... Use CHEVROLETS
IMPALA CUSTOM COUPE

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Taxes

Original copy to Lehman Brothers

SHEARMAN & STERLING
23, RUE ROYALE
PARIS 8

TEL. : 265 10-23

August 14, 1969

TAX REVIEW OF THE I.O.S. COMPANIES AND FUNDS

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UNITED STATES

Mrs. Burge and I had separate conferences with Mr. Arthur Feder (Partner in Willkie, Farr and U.S. tax counsel to I.O.S.) and Mr. Matt Tiffart (Arthur Andersen manager of the I.O.S. audit) in respect of the application of U.S. income taxes to the I.O.S. group. Mr. Tiffart stated that the I.O.S. group is not subject to U.S. income taxes except in respect of the Florida real estate operation.

1. Personal Holding Company.

a. I.O.S. Companies. Mr. Feder stated that the personal holding company sections are inapplicable, since the shareholder test is not satisfied (i.e. 5 or fewer individuals do not own more than 50% of the I.O.S. stock). Based upon the Arthur Andersen report and the statement of facts in the IRS tax ruling request in respect of the 1969 reorganization of I.O.S. Ltd., it appears that the shareholder test is not satisfied. Further, even if the shareholder test were satisfied, Mr. Feder stated that none of the I.O.S. companies realize U.S. source personal holding company income.

b. Funds. Mr. Feder stated that the shareholder test would not be satisfied by the funds; and, although the funds (e.g., FOF) are held by the I.O.S. program, I.O.S. has no beneficial interest in the funds.

2. Accumulated Earnings Tax.

a. I.O.S. companies. Mr. Feder and Mr. Tiffart each stated that the I.O.S. companies do not realize U.S. source income, upon which the accumulated earnings tax would be applied.

b. Funds. Mr. Feder stated that the I.O.S. funds do not sell to U.S. persons, and he estimates that undisclosed ownership by such persons is probably below 5%. Mr. Feder stated that large U.S. investors would not be attracted to the I.O.S. funds because of their "high load". Mr. Rubenfeld and I are of the opinion that the accumulated earnings tax would not apply where U.S. ownership is below 5%.

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3. Doing Business in U.S.

a. Funds. Mr. Feder and Mr. Tiffart each stated that the I.O.S. funds purchase U.S. securities through U.S. brokers (e.g., Arthur Lipper), and that such securities are held by custodians (e.g., Bank of New York) in New York, but that the principal offices of the funds are outside the United States. Thus, the funds would not be treated as engaged in trade or business in the United States, as a result of trading in securities in the United States. IRC §864 (b)(2)(A)(ii). It appears that even though I.O.S. represents about 50% of Arthur Lipper's business and Arthur Lipper furnishes I.O.S. with a daily computer print-out of the net asset value of the funds' portfolios, this would not cause the funds or I.O.S. to be engaged in trade or business in the U.S. Mr. Feder stated that neither I.O.S. or any of its shareholders have an interest in Arthur Lipper.

b. I.O.S. Companies. Mr. Feder stated that I.O.S. executives are frequently in New York, and that certain services are rendered in New York to the I.O.S. group by Ampersand Business Associates, owned by Norton Schiowitz, a former I.O.S. officer, but that no selling activities are conducted there. Mr. Feder stated that some companies in the I.O.S. group might be found to be engaged in trade or business in the U.S., but he did not feel this was a problem. He further stated that, except in respect of the Florida real estate operation, none of the I.O.S. companies have taxable income effectively connected to a U.S. trade or business, even if one existed. He stated that none of the I.O.S. companies file U.S. tax returns, except in respect of the Florida real estate project. Mr. Tiffart stated that he is satisfied that the I.O.S. group is not engaged in trade or business in the U.S., except in respect of the Florida real estate operations.

4. Controlled Foreign Corporation.

Based upon the stock ownership as set forth in the IRS ruling request in respect of the reorganization, and as confirmed by Mr. Feder, the I.O.S. companies would not constitute "controlled foreign corporations". It is to be noted, however, that the IRS has raised the question

(3)

of "CFC" in respect of the audit of Mr. Cornfeld's individual income tax return. Even if the I.O.S. companies constituted CFCs, this would create a tax problem only for 10% or more shareholders, it would create no tax problem for the corporations themselves.

5. Foreign Investment Company

It appears that the Fund of Funds Limited and the other funds in which the voting power is held by the I.O.S. group constitute "foreign investment companies" for purposes of the U.S. Internal Revenue Code, and Mr. Feder agrees. However, since the U.S. ownership of the equity in these funds is quite small, and since this is a problem for the U.S. shareholders of the equity interests in these funds, Mr. Rubenfeld and I have decided this is not a material problem in connection with the underwriting. The problem is that the gain from the sale or exchange of stock in a foreign investment company is not entitled to capital gains treatment in the U.S.

6. I.P.C.

In the consolidated I.O.S. provision for income taxes for 1968 and 1967, a reserve was set up for income taxes in respect of Investors Planning Corporation ("IPC") in the amount of $816,477 and $405,000 respectively. Mr. Feder stated that this reflects U.S. income taxes on the normal operation of IPC's business for such years.

As of December 31, 1968, the assets of IPC were sold tax-free and the company liquidated pursuant to IRC §337. In order to have come within this tax-free provision, the parent corporation must own less than 80% of the stock of the subsidiary corporation which is being liquidated at the time the plan of liquidation is adopted. Before the date of the adoption of the plan of liquidation, I.O.S. owned about 81% of the stock of IPC. In order to satisfy this provision, I.O.S. donated about 3% of IPC's stock to charity on the day before the date of the adoption of the plan of liquidation. The case law indicates that this technical compliance with the statute is satisfactory.

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Granite Trust Co., 238 F. 2d 670 (1st Cir 1957), reversing 150 Fed. Supp. 276 (D. Mass. 1956); Avco Mfg. Corp, 25 T.C. 975 (1956)(N.Acq. 1958-1 Cum. Bull.7); and Day & Zimmermann, Inc., 151 F. 2d 517 (3d Cir. 1945). Mr. Feder stated that in his opinion, which he orally gave to I.O.S., the transaction would be treated as tax-free. Nevertheless, a risk exists that the Internal Revenue Service might challenge the transaction, since its last word on the subject was a non-acquiescence in the Avco Mfg. Corp. case, although this occurred over 10 years ago. If the IRS challenged the transaction, the potential tax liability would be about $1,700,000. Despite this risk, Mr. Rubenfeld and I feel that this would not constitute a material undisclosed tax liability.

Another tax problem existing with respect to IPC is that the IRS is attempting to allocate about $183,000 of income to IPS for the years 1963, 1964 and 1965, under IRC §482. Mr. Feder stated that this problem would probably be resolved by settlement involving about half the alleged deficiency, plus interest. No provision for this amount has been created.

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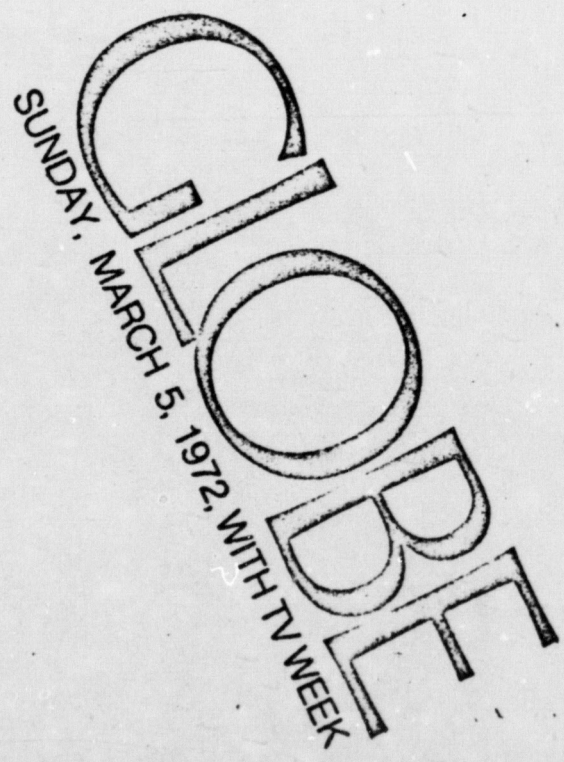
Appendix II



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Bernie Cornfeld in front of his mansion with his Maserati sports car, his Continental (out of range: two small cars) and houseguests Patti Lotus and Bonnie Hulse.

BERNIE CORNFELD IN EXILE

Ousted from his European financial empire, Bernie somehow manages to make do

By Ivor Davis

The scene is Grayhall, an imposing Beverly Hills mansion. The driveway is in disarray, littered with Lincolns, Maseratis, Rollses, Cadillacs and assorted other four-wheeled playthings. It's 8:30 in the evening and lights burn in every room. The front gates are open and the front door is unlocked. Within, the new master of Grayhall (he bought it from actor George Hamilton for $350,000 and is spending as much again to knock it into shape) is curled up in an armchair, wearing a multi-zippered overblouse, tight pants and soft slip-on shoes.

Across the hall in the living room, which is a Hollywood decorator's fantasy of how an English baronial hall should look, a tall dark-haired girl is asleep with her head on a massive antique desk, her hand poised on a telephone dial. She's drifted into slumber after dialing a Rolling Stones record on a sophisticated remote controlled juke box. Around her, English ancestral portraits in oils, ranging from Henry VIII down, gaze upon the hodgepodge: the classical Greek statuary, the old tapestries, the oriental carpet, the mammoth leather armchairs, a throne or two and a gigantic French chandelier purchased by the new owner from his good friend Laurence Harvey.

Across the marble hall is the inevitable pool table surrounded by pinball machines which once saw duty in Hugh Hefner's Chicago mansion. The den is the most comfortable room in the house despite the fact that it is frescoed throughout in color blowups of one Bernard Cornfeld — Bernie in repose, girls with Bernie, Bernie in the center of a montage of pictures of a lady photographed at his French Chateau for Penthouse, a rival magazine of Playboy in which he owns a sizeable chunk. There's Bernie at Chateau de Pelly, Bernie at his Geneva Lakeside villa that Napoleon built for Josephine, Bernie in the pool and Bernie on horseback.

Once the crown prince and absolute ruler of Investors Overseas Services (IOS), the mammoth mutual fund empire, Bernie Cornfeld is now deposed and languishing in self-imposed exile at Grayhall. It's here that most of his visible activity centers.

Bernie sits center stage surrounded by girls. The only action comes from Didi Fischer, Bernie's redheaded, freckle-faced longtime secretary who is fielding phone calls, and a young socialite actress who is trying desperately to locate some of her show business contacts to get movies for the Cornfeld retinue's weekend viewing. Didi looks at her in mock desperation.

Silence descends; Bernie springs to life — that is, he opens his eyes — and picks up a newspaper; the financial page of the Los Angeles Times: carrying a story and photo of himself. The United States government has just filed a $12½-million suit against him as former head of IOS for allegedly selling gold without a license.

Bernie: "If they think I've got $12½ million in the United States, where they can get their hands on it, they must be out of their minds. Thank God for Swiss francs. They're going up all the time. This'll drag on for five years and at the end of it we'll settle for $1.75 apiece and exorbitant legal fees. Don't ask me why they're doing it, I long ago gave up trying to understand the workings of the bureaucratic minds. I called an ex-lawyer of mine who is a Federal judge and he told me if they really

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Ivor Davis is West Coast correspondent for the London Express.

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had anything they would have filed a criminal complaint."

The girls stifle yawns; they'd know more about a hangnail than a mutual fund.

Kelly (an English bird, age 22): It's not a very good picture of you, is it, Bernie?"

Bernie: "What with the picture and the quote I gave the Times guy as a joke — I said it was all a conspiracy between the Treasury Department and the ABA to keep the lawyers in big legal fees, and he printed it straight — now how does that sound for paranoia? The picture looks like I'm waiting to be carted off to the funny farm. People reading this have got to believe I'm ready for a straitjacket."

Bernie uncurls himself and floats out into the hallway to pick up Seymour the basset hound. Seymour is the center of attention due to the fact that his master, with his usual thoughtfulness, has provided him with a girl friend, Sylvia, a three-month-old basset. But just at this moment Seymour has unfortunately disgraced himself on the oriental rug and is about to have his nose rubbed in the offense.

It is now 10:55 p.m. Enter Tom, the butler, who has put on a dark jacket for the occasion and even gloves, to announce "Dinner is served." The dining room is dark, the only light comes from the illuminations over the oils of sailing ships which decorate the walls. The centerpieces are wicker cornucopias, spilling gourds, fruit and nuts. No one actually sits down together, it's rather like one of those old-fashioned boarding-houses where at mealtimes one comes and goes at will. The projected number for dinner has varied since 8 in the evening, and now the cook has dished up the food buffet style, hoping it will go around. The host, after looking around and finding that no one has left a place for him at the table, sits in the adjoining breakfast room where his current No. 1 girl, a slim long-haired brunette named Peggy Nestor, slips inconspicuously in to join him. It's her first appearance all evening.

At the table, Patti the astrologer is discussing her poetry with a young Elliott Gould type.

Bernie, having finished his fried chicken, gravy, asparagus and mashed potatoes (he didn't drink any of the Pouilly Fuisse 1970 served), trips in and surveys the scene.

Bernie: "You see (he says in a mock Mittel-European voice), vee feed za hungry and give shelter to za hom'less."

Dinner is finishing. Enter Warren Beatty.

Cornfeld is never alone. He flits from room to room like a ballet master, talks in a whisper.

Bernie: "Vy, iff it isn't za famous moovie shtar Varren Baytay . . ."

Beatty, looking like a UCLA sophomore in crew sweater and shoulder-length hair, bows low over Cornfeld's hand and the diners begin to disperse to other parts of the house.

Another recent arriva[illegible] Minda Feliciano, longtime lady in [illegible] life of Michael Caine but now so[illegible] once again. She adjourns to the kitchen with Kelly and Debbie (Sharon Tate's younger sister) for a smoke. She's upset over an English newspaper story.

Minda: "They said Michael left me because I was too domesticated. I wish they'd stop that stuff. It's just over, finished . . . that's enough."

Only one thing is constant. Cornfeld is never alone. He flits soundlessly from room to room. You rarely see him approach, like some retired dancer who has become the aging (he's 44) ballet master presiding over the school in the countryside. When he talks it's usually in a whis-

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hear what he says. His face rarely exhibits expression and he never raises his voice. He seems a little lost . . . he's choreographed the whole scene, brought the dramatis personnae together, but it isn't really jelling and he doesn't seem to be enjoying it. He's watching from the center but is strangely not part of it all.

Before Investors Overseas Services came a cropper in the spring of 1970, Bernie was its largest shareholder. His chunk of the action was worth $150 million on paper and the tiny business he started in a modest Paris flat in the early fifties had, by 1969, well over $2 billion of other people's money under management in 17 different mutual funds. There were 10,000 salesmen peddling the Cornfeld line to 800,000 clients in 110 countries.

When Cornfeld unceremoniously got the boot and a new team took over, IOS shuddered and almost died. Even today it's having its problems. But when the house that Bernie built collapsed about him, he didn't exactly become a candidate for the poorhouse. Though he'll live four months of the year in the newly acquired Hamilton mansion on Carolyn Way, the rest of his time is divided between:

—The Chateau de Pelly, a 12th Century castle on 400 acres at the foot of the French Alps, just a 45-minute drive from his old headquarters in Geneva. He picked it up for a song, $25,000 for a pile of old rubble that was little more than a popular grazing area for local cattle. He pumped $1 million into the place, tossed some of his most lavish shindigs there, and built up a distinguished stable.

—Another nearby castle, which he bought for a change of scenery, with a couple of acres of lakeside view.

—The magnificent lakeside Villa Elma in Geneva, which he may unload shortly to an eager Arab sheik who has just upped his initial bid for the house and furnishings from $2 million.

—A palatial apartment in Paris.

—And a townhouse in London's Belgravia.

Thus completes *les residences de Cornfeld.* Recently he sold his BAC 111 jet to a Singapore businessman for $4 million but still remains fairly mobile with a Convair turbo prop, a twin-engine Falcon, a Jet Commander, a couple of Rolls Royces, a Maserati or two, a yacht, half a dozen motorcycles, a Lincoln with bar and TV, and a variety of other wheels.

He says he's worth thirty to forty million — give or take a few.

It's another day, approaching the noon hour at Grayhall. Bernie is sprawled on a couch in the den. He's completely in black, wearing a long-sleeved Oleg Cassini silk shirt a little too form-hugging for his slightly bulging midriff. The phones are ringing, and his personal photographer Murray Radin is clicking away furiously as Bernie explains that lunch will be delayed because his man who serves it has gone to pick up a battery for the Maserati. He thumbs through some color pictures of the Geneva lake house, tosses them aside and begins to talk about Bernie — After the Fall.

Bernie: "What were merely my hobbies in the past — Oleg Cassini and Guy La Roche (the New York designer and the French couturier) and the modeling-talent agency in Manhattan — are taking up more of my time. I've been involved in other businesses, as well, and financed still others. Of course people say I'm into everything. Weekly Variety said I was involved in erotic film cassettes in Germany. That's nonsense. Now a guy like Hefner is in the boob business but he tries for the intellectual route. We saw his 'Macbeth.' I don't go for the gore. It cost $5 million to make. I can't see it doing that well. But there is a market for erotic movies on cassettes because most people don't like to be seen going into a pornographic movie house, so there is a market. But I'm not involved. I've started reading books again for pleasure, which I haven't done in 15 years. All I normally do is read magazines and business articles so it's nice to have time to listen to music, read, go to the theater and take off for a couple of weeks . . . say to Cuernavaca in one of my planes.

"I've made some movies lately. The first one had the misfortune of winning first prize at the Cannes film festival, but it's making lots of money anyway. It's 'The Go Between' and the only bad review it had is in Screw magazine. I have a major interest in World Film Services with John Heyman. We've put up the cash for that film, and 'Bloomfield', the picture Richard Harris made in Israel. We're also doing 'Kidnapped' with Michael Caine and Richard Burton's Tito movie. Then we're due to start shooting 'Flashman' this year, partially in India . . . but it's delayed since India isn't the best place to shoot these days."

At 2:45 p.m. it's time for lunch at poolside. Bonnie, Kelly, Debbie and Patti buzz around the laden table. A fellow called Corky nervously slips Cornfeld a drawing of the new crest which is to go on the gates and on two of the limousines. The girls group themselves around Bernie and luncheon commences.

Bernie: "Hey, we just had a telegram from Hefner. He's invited us all to see Roman Polanski's new film."

He breaks off for a brief conference with his interior decorator who giggles and goes off in search of some bawdy faucets for an upstairs

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bathroom which apparently shoot water vertically into the air.

Bernie: "I collect houses much the same way people buy stamps. By the time it's finished we'll have electric gates, closed circuit television, a nice screening room and 22 bedrooms. But I'm going to have to walk out of everything for a period of three months, sit down and talk into a tape recorder to do my book. There have been four books on me already. One in German, one in French and two in English. The London Sunday Times one ("Do You Sincerely Want to Be Rich?") is libelous and I've sued them in London. They take great pains trying to establish that the whole IOS phenomenon was shady and sinister but there's nothing in the book that shows it except their say-so. I think we have a winning suit. It could conceivably put the Sunday Times out of business. The Bert Cantor book ("The Bernie Cornfeld Story") is just a collection of old wives tales and I find it quite poorly written, dull trivia. I hope my book will be readable and interesting. Half a dozen publishers have asked for it and there could be a film."

From the way Cornfeld talks you'd think the days when he juggled millions of dollars and bought a bank before breakfast are in his past and that he's content to have it so.

"I do like the kind of life I'm presently leading," he contends, "but I feel if there's anything at all I can do to help IOS I'd happily do it. I feel a sense of responsibility to help in that whole situation if I can. Since I left there's been no management. Any problems they have are easily soluble but no one's solving them. They seem on a headlong course for bankruptcy. I would be prepared to work at it without any compensation at all. It's terribly sad to see what's happening there . . . sad because I spent 15 years building it all up."

Late that night Leonard Lewis, portly and umpteen years on the Bel-Air Patrol, sat in the lobby of Gravhall and cast a wary eye over the scene before him. "We're here to keep out the undesirables. Now these people," he said, indicating the assembled throng, "are class. None of your riffraff here."

Secure in the knowledge of their acceptability, Bernie Cornfeld's guests, who had been arriving in driblets all evening, invited and otherwise, devoured hot dogs and fettucini on paper plates, played pool and selected mates. Women outnumbered men four to one. There was much hugging, squeezing and kissing going on, the recipient of most of it being the master of the house. Roman Polanski hugged Bernie and Bernie hugged a brunette.

Those prominent ex-husbands Patrick (Raquel Welch) Curtis, Richard (Natalie Wood) Gregson and Tom (Samantha Eggar) Stern were towered over by a big blonde Amazon in too-short hotpants. Curtis ended up with the blonde, Gregson ended up looking acutely uncomfortable and Stern spent the evening avoiding the screening room, where ex-wife Samantha was being seen suffering on celluloid in "The Walking Stick."

Warren Beatty wandered aimlessly from girl to girl, John Heyman looked bewildered and tried to find a friend, while Marsha "the White Witch" read palms in the den and explained to anyone who would listen,

The guests devoured hot dogs and fettucini from paper plates.

"Bernie lent the house tonight to a fellow for his birthday party. They invited 2000 so it was called off but a lot of people showed up anyway. Bernie doesn't mind. He's our King Arthur, our father figure."

Upstairs was out of bounds. An armed guard sat at the foot of the stairs. A few tender souls dozed on couches. Johanna Ray, Aldo's ex, from her vantage point on top of a desk, surveyed the scene: composer Leslie Bricusse stuck closely to the girl he brought and British actor John Leyton committed the unpardonable gaffe of coming and staying with his wife.

Hugh O'Brian showed up late in the inevitable tux, looked vainly for the host and left. George Sanders' nephew Peter informed his group: "Last night there was a coat of arms in the corner over there. Today it disappeared. Hardly a day goes by without something missing."

Downstairs in the unheated screening room a handful braved the cold to sit through the film selection of the evening. They were joined in the last reel by Warren Beatty, who woke a girl asleep in the front row and proceeded to demonstrate the art of screen smooching — for real.

Despite all the excitement, Bernie himself seems bored, a bit jaded, lethargic. It's obvious that his existence as simply the paterfamilias of a household of enervating transients can't continue for long. He's in a kind of limbo waiting for someone or something to come along to press the go button for the old Bernie to spring into action. It's got to happen, it's only a matter of time. ■

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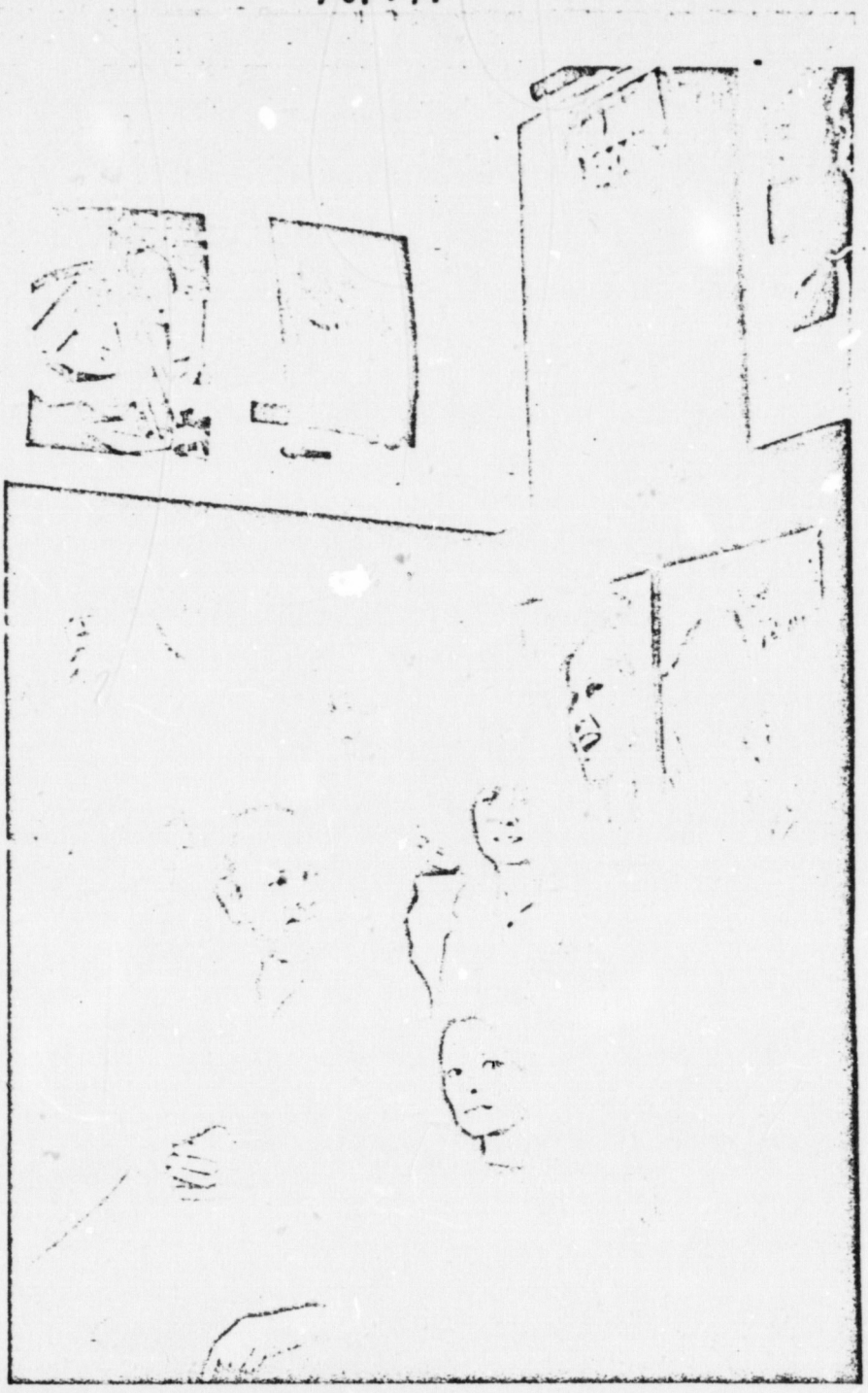

Den is decorated with color enlargements of Cornfeld's fan club, mostly girls he is or was friendly with. With Bernie are current favorites Debbie Tate (sister of the late Sharon Tate) and model Bonnie Hulse (seated).

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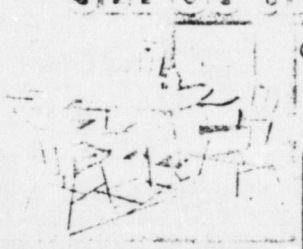

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HOWARD BERSCH, : 71 Civ. 5373

Plaintiff, :

-against- : AFFIDAVIT

DREXEL FIRESTONE, INC., et al., :

Defendants. :

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

SIDNEY B. SILVERMAN, being duly sworn, deposes and says:

I am a member of the firm of Silverman & Harnes, attorneys for the plaintiff in the above entitled action. I submit this affidavit in connection with the pending motion relating to subject matter jurisdiction and class action status.

In the fall of 1973, Antoine Hafner, an attorney in Geneva, Switzerland, and three persons associated with him, came to my office to discuss the representation of Mr. Hafner's Swiss clients who purchased IOS stock at the public offering. Mr. Hafner informed me that although a criminal action was then pending in the courts in Switzerland, his clients could not bring in Switzerland any civil damages suit in connection with their purchases of IOS stock. At Mr. Hafner's request, I had sent him a copy of the Honorable Marvin E. Frankel's decision declaring that this action could be maintained as a class suit. Mr. Hafner asked me if his clients would share in any recovery

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obtained in the Bersch action or if it were necessary for them to intervene herein. I informed Mr. Hafner that at the present stage of the litigation, it was not necessary for his clients to intervene, as their rights were protected as long as the action remained a class action encompassing foreign purchasers.

Mr. Hafner requested that I keep him advised as to our progress and I have done so.

Sidney B. Silverman

Sidney B. Silverman

Sworn to before me this
12th day of April, 1974

Rosalie A. McGovern

Notary Public

ROSALIE A. McGOVERN
NOTARY PUBLIC, State of New York
No. 24-0706100
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1975

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EXHIBIT C

INVESTOR

CB20015

I.

(INCORPORATED UNDER THE LAWS OF CANADA BY LETTERS PATENT DA

AUTHORIZED CAPITAL: 75,000,000 PREFERRED
150,000,000 COMMON SHARE

THIS CERTIFIES THAT **HOWI

is the registered holder of **SIX
and non-assessable COMMON SHARES
in the capital of I. B. S. Ltd.
hereof in person or by duly authorized attorn
valid until countersigned by a transfer agen
In Witness Whereof the company has caus
Dated OCT 15 1969

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE TRANSFERAB
OFFICE OF THE ROYAL BA

COUNTERSIGNED AND REGISTERED,
THE ROYAL BANK OF CANADA TRUST CORPORATION LIMITED,
London, England,
BRANCH TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

S OVERSEAS SERVICES

SPECIMEN

O. S., Ltd.

ED JANUARY 28, 1953 AND RECORDED FEBRUARY 20, 1953. THE EXISTENCE OF THE COMPANY IS UNLIMITED AS TO TIME.)

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valid unless countersigned and registered by a registrar of the Company.
In witness whereof this certificate to be signed by its duly authorized officers.

COUNTERSIGNED AND REGISTERED,
MONTREAL TRUST COMPANY, TORONTO, CANADA.
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

Secretary

President

LE AT THE PRINCIPAL OFFICE OF MONTREAL TRUST COMPANY IN TORONTO, CANADA AND AT THE PRINCIPAL
NK OF CANADA TRUST CORPORATION LIMITED IN LONDON, ENGLAND.

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THERE ARE RIGHTS, CONDITIONS, RESTRICTIONS AND LIMITATIONS ATTACHED TO THE SHARES REPRESENTED BY THIS CERTIFICATE AND THE FULL TEXT THEREOF IS OBTAINABLE ON DEMAND, AND WITHOUT FEE, FROM THE SECRETARY OF THE COMPANY.

For value Received ___ hereby sell, assign and transfer unto

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

_____ Shares of the Capital Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney to transfer the said stock on the Books of the within named Company with full power of substitution in the premises.

Dated _____ 19___

_____

In Presence of

_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

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A Very Long Way Offshore

In which respectable financiers strip off their watch chains and leap into the warm offshore waters. The techniques and consequences of IOS's competition; IOS, on the basis of a very curious prospectus, becomes a public corporation at long last.

Just as one can select different incidents as the symbolic high point of the conglomerate enthusiasm, so it is possible to select different moments as representing the offshore idea in its highest development. For sheer theoretical audacity, it would be difficult to surpass Arthur Lipper III's idea of towing away a section of the New York Stock Exchange itself to the offshore world. Mr. Lipper thought that if the NYSE stuck to its rules about commissions, the solution might be to arrange for New York-quoted securities to be traded in Beirut on a new exchange organized for the purpose.

This thought was put forward toward the end of 1968, when a potent magic was already beginning to attach to the word "offshore." But in terms of events, 1969 was the miraculous year of offshoreness. It was the year when, at long last, Bernie and the boys "cashed in": at the end of 1969 IOS Ltd., nine years after its formation in Panama City, sold off a section of its own shares, as distinct from the shares of the funds it managed. When that happened, as Cornfeld said proudly, one hundred members of the company became millionaires—not in terms of the the-

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oretical "formula value" of IOS but in terms, at last, of stock-exchange prices.

It was also in 1969 that Keith Barish and Rafael Navarro went successfully to the international stock markets with the concept of "liquid real estate" which made their Gramco Management company for a while the hottest offshore operation of all. During the summer of 1969, for the first and last time, the volume of cash collected by Investors Overseas Services exceeded for one month the volume collected by the entire American domestic mutual-fund business.

Small offshore funds proliferated, and novel financial principles were advanced. Allen J. Lefferdink, for example, said that none of his funds would be examined by outside auditors "because the appeal of offshore funds is confidentiality."

The flavor of the international financial atmosphere in that year is best conveyed by some account of the offshore career of Jerome D. Hoffman, a veteran of the sleazier end of the New York mortgage trade. Hoffman set out, quite frankly, to emulate the success of Investors Overseas Services. And he was IOS's ultimate offshore competitor—the man who carried the offshore technique past the point of *reductio ad absurdum.*

On May 16, 1969, Reginald Maudling, deputy leader of the Conservative Party and one of Her Majesty's Privy Counsellors, launched in London a new offshore fund to be called the Real Estate Fund of America, or REFA. Mr. Maudling announced that he was President of the new fund, which would collect money from international investors and put it into real estate in America. The fund would be administered by its Executive Vice President, Jerome D. Hoffman. Mr. Hoffman said that REFA would also enjoy the services of a number of former officials of the U.S. Treasury and State Department, and of M. Paul-Henri Spaak, ex-Premier of Belgium. Hoffman described Maudling as "one of the outstanding financial minds of the world," and it was true that Maudling's cabinet appointments included spells as Chancellor of the Exchequer and President of the Board of Trade. (On the Tory return to office in 1970 he became Home Secretary.) When Mr. Maudling said that the Real Estate Fund of America was a "good and sound investment" it was a view that carried weight.

A rather different impression emerged some eighteen months after the launch of REFA, and about twelve months after Maudling resigned from it due to the pressure of his political activities. Hoffman decamped abruptly from his London base in November 1970 and arrived in Rome, pursued by ugly questions from the world's press concerning the fate of REFA, now supposed to be worth $100 million. In Rome, Mr. Hoffman held a

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hasty conference with some remaining executives, and demolished the last of his carefully cultivated air of financial statesmanship. If things got any worse, said Hoffman, he was "going to take the money and run." "You guys," he added, "can look after yourselves." The Real Estate Fund of America, and Hoffman's International Investment Group, which was supposed to administer it, consisted by then of little more than a couple of baffled telephonists and a series of heavily mortgaged properties in the United States.

Jerome Hoffman is a little man, aged about thirty-eight, with a restless manner and a high-pitched laugh. This laugh used to punctuate the vague but expansive answers he gave when questioned about his financial activities. "Don't worry about me," he would shout. "I'm growing like a weed. Ha-ha-ha-haaa!" Hoffman had been run out of the securities business in New York in 1968 by Attorney General Louis J. Lefkowitz, for offering mortgages in a "reckless, improvident, and fraudulent manner." According to Lefkowitz's staff: "His modus operandi when contacted by a prospective client was to require a payment of $500 for inspection of the property to be mortgaged and an additional amount ranging from $2500 to $25,000 for a 'feasibility survey. . . .' All of the fees totalled more than a million dollars. . . . Hoffman and his companies actually obtained mortgages for only three applicants in the last two years."

Part of Hoffman's elaborate corporate façade was something called the Institutional Monetary Trust, which was supposed to be making a $25-million securities offer in 1968. The trust did get as far as producing a serious-looking prospectus. This named Holmes Brown, a former Director of Public Affairs for the Office of Economic Opportunity, as a trustee, and recorded that the firm of Ross, Stamer, Wolf & Haft were special counsel to the trust. But before it could raise any money from the public, Attorney General Lefkowitz brought charges against Hoffman. Hoffman denied them all, but rather than fight he signed a consent decree which banned him from the securities business in New York. He then took off into the offshore world, asking (according to his later publicity material), "Anyone know where I can get two rooms in Paris and a 1956 Chrysler convertible?"

There was nothing in Hoffman's record and little in his manner under questioning to suggest that he could or would run a viable fund business. However, Reginald Maudling was not the only prominent man who joined Hoffman. Robert Wagner, former Mayor of New York, agreed to become Chairman of REFA's companion fund, the Fund of the Seven Seas, or FOSS. Both Maudling and Wagner became shareholders in the company

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formed to manage these two funds, called International Investment Group Ltd.

Both REFA and FOSS called themselves open-end funds, and in doing so REFA ran counter to the regulatory principles of the British Board of Trade,* the governmental department responsible for investment companies. The Board of Trade, working in this case on similar lines to the SEC, says that no fund that promises to redeem its own shares can invest in land or buildings—on the ground that, unlike shares, buildings cannot be swiftly and objectively valued, and often cannot be sold expeditiously.

The prospectus REFA offered to investors was distinctly vague, and that of FOSS, which consisted largely of pictures of ships owned by other people, was possibly the most ridiculous ever put out by a financial organization. Yet both bore the name of a respectable firm of lawyers in the City of London, Joynson-Hicks and Co. The fact was that neither of the International Investment Group's funds were susceptible to British law or regulation, even though IIG proposed to administer them from London. The two fund companies were registered in Hamilton, Bermuda, and the management company—in which Hoffman made his distinguished colleagues shareholders—was registered in Liberia.

The head of Joynson-Hicks and Co., Lord Brentford, formerly a Tory MP, director of an insurance firm, and Chairman of the Automobile Association, served from the start on the Board of IIG Management. So did his son, the Honorable Crispin Joynson-Hicks, so did Maudling, Holmes Brown, Dixon Donelley (formerly an Assistant to the Secretary of the U.S. Treasury), John F. Lang (a New York lawyer whose firm represented the British government in the *Torrey Canyon* oil-pollution dispute), and other respectable folk.

If the structure of IOS was flexible, that of IIG was primitive. The arrangements for safeguarding the customers' money were so sketchy that late in 1970 Hoffman was able to admit breezily that he had shifted "a couple of million dollars" of REFA money into the Investment Bank, Zurich. This was a very small Swiss bank which Hoffman was about to take over personally. (In the end, he never finished paying for the shares.) The nature of the IIG sales operation, a rough-and-ready copy of the IOS model, was made plain by Guillermo Gutierrez, IIG's Latin American sales director, and an IOS veteran. Asked how many countries his sales area covered, he said, "Twenty-nine." Asked in how many it was legal to sell the fund shares, he said, "Only two." Gutierrez said that one of his sales-

* Renamed the Department of Trade and Industry in 1970.

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men was accustomed to getting money out of Brazil by canoeing across the river into Paraguay.

In July 1969 one of the present authors revealed the facts of Hoffman's background in New York to Mr. Maudling. Some of these facts were apparently known already to Holmes Brown and John Lang in New York. Yet neither Mr. Maudling nor the others chose to resign. Maudling remained a shareholding director of IIG Management, the basic Hoffman company, for another two months, and when he did resign, he did not express any doubts about the IIG operation. On the contrary, Maudling gave Hoffman an open letter *repeating* that REFA was a good, sound investment. John Lang, Holmes Brown, Lord Brentford, and Crispin Joynson-Hicks remained through most of 1970.*

Without his eminent supporters, it is difficult to believe that Hoffman could ever have floated his enterprise. As it was, he kept it swimming long enough to collect $9 or $10 million, which was parlayed via some hefty mortgages into an alleged $100 million in American real estate. How was it possible that Hoffman could be taken seriously at all?

It was possible in general terms because Bernie Cornfeld and Ed Cowett had more than $2 billion under their control by then, and had been in business for ten years without their company blowing up. Financial experts were willing to admit privately that IOS's fortunes were probably built upon flight capital, and much of it illegal at that. Few of them found that worrying. Even fewer were impressed by the complaints of the SEC staff, who were widely regarded as kill-joys. And beside the general inspiration of the IOS spectacle, people were beginning to understand just how profitable a business it could be to run a company managing offshore mutual funds. From that realization proceeded the idea that the shares of such fund-management companies might be very interesting propositions indeed. It was, as it happened, Gramco rather than IOS which first drove home to the international financial community the attraction of the mathematics involved. At the same time, the Gramco story—and the careers of some other newcomers—drove home a rather different point to IOS. This was that one of the things that was unregulated offshore was the competition.

The funniest effect of the appearance of people like Hoffman and Lefferdink was the suggestion that the offshore funds should get together and form their own voluntary regulatory body. This offshore "Securities and Exchange Commission," predictably, never got beyond the discussion stage.

Even Gramco, which collected $250 million in three years, did not be-

* M Spaak's position is that he wrote a letter of resignation which Hoffman ignored.

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come big enough, as had IOS, to make a significant difference to investment markets and foreign-exchange balances on its own. But IOS's competitors were important chiefly because of the effect that they had upon the self-confidence of IOS. Hoffman was the crudest of them. Gramco was the slickest, and the one that worried IOS most.

Gramco's best-known director was Pierre Salinger, John Kennedy's friend and press secretary. Salinger was joined in the Gramco promotion by several lesser eminences from JFK's administration. There was Richard K. Donahue, once special assistant in the White House; William P. Mahoney, former Ambassador to Ghana; Ivan A. Nestingen, one-time Under Secretary for Health, Education, and Welfare. And the rhetoric of its principal promoters, Barish and Navarro, made Gramco sound more like some crusading political party than a financial concern.

Gramco's publicity said that Rafael Navarro possessed "a breadth of vision on the social problems of today that is astonishing in a man so completely devoted to his work." Barish was described as a man "who wants to put money to work for people, and who glows when he talks about it." "I like to think," he said, "that we are engaged in a system that used money for social good . . . to prevent economic injustices, and make the world a better place." Barish, it was said, had "larger goals than merely making a lot of money."

He did, however, make a lot of money. Barish made his start in business at eighteen, when some friends of his were trying to start a bank in a Miami suburb. The Banking Commission thought that the district already had enough banks, but Barish persuaded the Commission otherwise. A clue to his powers of persuasion lies in the fact that he had already served a term as a White House "intern," traditionally a job for a youth who has some influence in his state and aspires to more. The upshot was that Barish became a shareholder in the new bank while he was still so young that his mother had to attend shareholders' meetings on his behalf.

Together with some associates from the bank, he formed Gramco, under its original name of the Great America Management and Research Corporation. But Barish developed ambitions that outran the visions of his former banking colleagues. He parted company with them, teamed up with Rafael Garcia Navarro, and abbreviated Great America, etc., to "Gramco." The Gramco literature asserted that Navarro had previously been a "high-ranking career diplomat," when aged only twenty-one. (His father was a Prime Minister of Cuba in the declining years of Batista.)

Barish and Navarro were obviously impressed by offshore possibilities.

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When they started business in 1967, they employed some of the same devices as IOS: the salesmen were called Associates, were graded in a similar fashion, and were offered a similar stock-option plan. The technique of decorating the operation with eminent names was reminiscent of IOS—and a certain number of the Associates were people tempted away from Bernie.

What tempted these men was the prospect of selling Gramco's "product," one even more audacious than anything which IOS had produced. According to their own account, Barish and Navarro toyed with the simple mutual-fund principle and with a fund on funds before they decided to concentrate on the idea of "liquid real estate." The pitch on this, put over with great polish, was that it offered safety, coupled with steady capital growth —and by 1967 there had been enough ups-and-downs on the world's stock markets to make the pitch attractive.

The straight legal problem of offering an open-end fund with nonliquid investments was overcome easily enough. Barish and Navarro's basic company was Gramco International SA, registered in Panama. It controlled Gramco Management Ltd., a Bahamas company, which was the sole distributor of shares in the "United States Investment Fund," also registered in the Bahamas, and known usually as "USIF Real Estate." The administrative HQ of Gramco Management was in London, which was handy for banking services, but no sales were undertaken in Britain. The main sales efforts were in West Germany (which had no developed fund law when Gramco started business), the Middle East, and Latin America.

Overcoming customers' doubts about the liquidity of a real-estate fund might have been more difficult than the legal obstacles. Much solemn hocus-pocus, some of it untruthful, was addressed to the problem.

Gramco carried to a high pitch the device of baldly reconciling opposites. For instance, they assured the public that USIF valuation methods were "at the same time orthodox and revolutionary." But the main reassurance was that Gramco promised to keep a proportion of fund assets in cash, ready for repurchases. The ratio of cash to real estate was supposed to have been settled after "careful analysis of liquidity requirements of U.S. and international funds on an historic basis." However, having started out with a promise to keep 30 per cent in cash, Barish and Navarro quietly adjusted that downward to 20 per cent while pretending that such had been their idea in the first place.

This growth was aided by a quintessentially offshore device. Real estate was *depreciated* for U.S. tax purposes, and then written back when cal-

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culating the fund's growth. Thus assets which were losing value in one set of books were gaining value in another. Price Waterhouse, the USIF auditors, did not put their name to this device.

Doubts about liquidity were overcome so successfully that by 1969 Gramco could claim that its fund was the largest single buyer of American real estate. USIF, directed by Gramco, bought the NUS building in Washington, D.C., Clermont Towers in Manhattan, 1000 Lakeshore Drive in Chicago, Troy Towers in New York, the Arizona Title Building in Phoenix, and that conglomerate shrine the Ling-Temco-Vought Tower in Dallas, Texas.

The Gramco salesmen claimed to be selling the "perfect investment," and, suitably enough, one of the Gramco sales contests was called the Best of Both Worlds Contest. The pitch even had a pleasing ingredient of caution in it, for the customers were told that, although their money would rise in value with the inexorable rise of the U.S. property market, there could be no pretense that it would rise as fast as the hottest shares on the stock exchange. They were not told that they were paying for a structure which gave Barish, Navarro, and their friends an investment of a sort which would rise considerably faster than the fastest stocks on a boom market.

A sales load was taken, of course, to feed the Gramco sales force, and there was also a management fee. But, far more important, the customers' money had to bear a brokerage charge of 5 or 6 per cent of the value of all properties bought in the United States. And as Gramco did not use real-estate brokers but made its own direct purchases on behalf of USIF, Gramco Management Ltd. appropriated the brokerage itself.

At this point, leverage was applied to the customers' money. USIF, like most property purchasers, bought on mortgage, borrowing between three and four dollars for each dollar of fund money. But Gramco took its brokerage fee on the *full* price paid for the property. Thus if the fund bought a building for $5 million cash and $15 million borrowed, Gramco took 5 per cent of $20 million, or $1 million. In this way, over the three and a half years to June 1970, Gramco Management took $43 million out of the USIF Fund for its own profits: roughly 17 per cent of all the money the customers put in—after the deduction of sales loads. The result was that Gramco Management Ltd., so long as the flow of cash continued, was a sensational money-making device. And as if the basic dynamic were not enough, USIF's growth was stoked with another ingenious application of leverage: Gramco arranged for its customers to buy USIF shares on credit.

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The finance for these loans was obtained from the same banks in which the famous liquid-cash reserve of the fund was deposited. Indeed, the banks were persuaded to make the loans by the inducement of receiving the deposits. Security for such loans was, of course, the new USIF shares which were bought with them.

A number of observers pointed out the hair-raising circularity of this arrangement. In the event of redemption demands, Gramco would have to take its deposits out of the banks to meet them. Would not the banks then call in the loans they had made—and as the security for those loans were USIF shares, would this not lead to further redemptions? It was the financial equivalent of what electronic engineers call "positive feedback."

Both Gramco and their banking expert, Michael Gillies of Sassoon Banking in London, maintained this was not so. Despite their protestations, the suspension of bank liquidity closed the USIF Fund in the end. But, until that happened, it did look as though Barish and Navarro had devised something that made Cowett and Cornfeld look like savings-bank managers. Gramco Management Ltd. was able to claim, for the first quarter of 1969, profits at a rate of nearly $1 each per share per year—on shares with a face value of 50¢ apiece. And that rate had *doubled* over the same period in 1968. Of this income, 86.6 per cent had come from "fees for services performed in connection with the acquisitions of properties," and as Gramco was expecting the value of USIF properties to shortly top $1 *billion*, it seemed that the rate of return must continue to double, or more, every year.

Now was clearly the time to sell off a slice of Gramco Management's own magical shares, as against those of the fund. The results of the sale are recorded best in Barish and Navarro's own words, reviewing the progress of their parent Panamanian company at the end of 1969.

> In the course of the year we have passed many historic milestones. Perhaps the most noteworthy was the public offering, in May, of 10 per cent of the shares of Gramco Management, a subsidiary of International, and the impressive response aroused . . . in the international financial community. The shares of Gramco Management were initially offered at $10, and the company has now been given a value by the market of $170,000,000. Since 90 per cent of Gramco Management is owned by Gramco International, we believe this constitutes a sound basis for the continuing prosperity of International. . . .

The launch of the Gramco Management shares was managed by Sassoon and by Crédit Commercial of France. The price of $10 per share was underwritten by seventy banks and the list included many distinguished

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financial names. From London, there was the Westminster Bank, one of the "Big Four" British banks; there was Reginald Maudling's firm, Kleinwort Benson; there was S. G. Warburg, Samuel Montagu, and N. M. Rothschild and Sons (the London Rothschilds). There were big Wall Street names, such as Loeb, Rhoades and Bear, Stearns & Co. There was Julius Baer International, controlled by the biggest private bank in Zurich, and there was Banque Lambert of Brussels which had once declined to act for IOS's "International Investment Trust." There was Fleming-Suez, representing the combination of the Compagnie de Suez with the fortune of Robert Fleming, pioneer of the investment company. There was Banque Rothschild from Paris, the Berliner Handelsgesellschaft, Slavenburg's Bank from the Netherlands, the Vereinsbank from Hamburg, and fifty-three more. All of them were able to take up Gramco Management shares at $10 less the underwriters' discount of 20¢, and resell them almost instantly. At one point, these Bahamian shares were trading at $20 each.

Eighteen months later, they were worth $2, if you could shift them. But that was after the hurricanes had blown through the offshore world. At the time it was done, the cashing in of Gramco was a triumph. It gave an air of credibility even to the absurd Hoffman, who, it was thought, might manage some similar feat. It cast some magic on almost every one of the seven hundred fifty-odd international funds that were listed in the Fund Guide directory, from the Antilles Mutual Fund of Saint Thomas, Virgin Islands, and the Casino Fund of Curaçao, to the International Whisky Fund, conducted by Highland-Dunes Scotch Investors, of Great Neck, New York.

But for IOS men it was galling to have to watch Gramco sprint from launch to cashing in within two and a half years. And what made it worse was the knowledge that Barish and Navarro owed much of their credibility to the very existence of IOS.

One effect on IOS was to make Cowett and Cornfeld search even more eagerly for new investment devices that would rival the astonishing proposition which Gramco was offering the customers. The threat of being outbid in the offshore competition forced IOS to look for yet bigger, therefore yet riskier, advantages to offer to its prospects. In the offshore world, if someone else offered the investors the moon, you had to offer them the sun.

Also, Gramco shook IOS confidence because a lot of IOS salesmen had been waiting impatiently to "cash in" with their shares. They were angry that someone else should get in ahead—and it was clear that unless IOS men were able to cash in soon afterward, the bonds of loyalty might start

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to fray. (In 1967, IOS had to damp down impatience by offering to buy back 10 per cent of any shareholding at the "formula price.") How did it come about that the upstarts from the Caribbean were allowed to get to the market before the pioneers?

It sounds paradoxical to say that this was because IOS was near to financial collapse in 1966–1967. But it is strictly true: when Gramco made its dash, on the figures IOS was in no condition to sell off, to other than its own salesmen, the shares of the parent company, IOS Ltd. (SA). That year, as IOS was tossed out of country after country around the world, sales of IOS funds fell, while the decline in stock prices further eroded what was left. Nevertheless, the sheer bulk of the IOS funds remained impressive. But while even sophisticated financial minds tend to assume that where there is much money gathered there will be profits also, this is not inevitably the case. There may well be no profits of the sort that can be set out in accounts, and sold off in a share issue.

When Gramco started operations at the beginning of 1967, IOS was reeling from a series of blows: the series of expulsions; the loss of Brazil, the biggest market; the trouble with the Swiss and the hasty, expensive move to Ferney-Voltaire; rescuing salesmen, bringing them back to Geneva, and, in many cases, supporting them till new field operations could be mounted—all this was an expensive business. And there was also the costly process of bringing in James Roosevelt's lawyers and ex-civil servants. Operating expenses (as distinct from commissions paid to salesmen) took a 74-per-cent jump in 1967, while revenue from sales went up by only 11 per cent (it had been 40 per cent the year before).

By the end of that year, as we have seen in Chapter 14, IOS was giving away one-quarter of its net income from sales operations.

Like many developments in the IOS saga, the Latin American disaster shows up in the history of the sales force. The force almost doubled in size between 1964 and 1965, went up 50 per cent in 1966, but during 1967, increased by only 16 per cent.

The result of the mid-career crisis was that IOS lost money in 1967, on the item it called "sale and management of mutual funds." The loss was quite small—$635,000—but it was only recouped by the profits of the insurance companies, the banking operations, and the revenues IOS appropriated from the FOF Proprietary Funds system. This last came largely from "performance fees"—*i.e.*, IOS's slice of capital gains made with the fund money, rather than the regular fee for managing the money anyway.

Sales volume expanded again as soon as the machinery of stock options

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and overrides could be applied to new markets. And the rate of increase of the sales force recovered also: 28 per cent in 1968 and 50 per cent in 1969. The great discovery, of course, was Germany, and by 1968 the sales, in terms of cash and commitments together, had risen to $1.7 billion, with an even more astonishing rise in 1969 to $3.2 billion. But sales volume alone, especially in terms of "face value" of programs sold, would never make IOS Ltd. itself enormously wealthy, because the greater part of the revenue from sales loads would always go to the salesmen in commissions.

Indeed, the simple expansion of sales carried great dangers, because as time went on the override system became more and more heavily laden with sales bosses, who were drawing large sums of money on other people's commissions. Between 1967 and 1969, the percentage of sales charges going in commissions rose from 61 per cent to just over 70 per cent. As IOS's Canadian brokers, J. H. Crang & Co., put it, "The progressive build-up of a structured sales organization involving multitiered management levels increases the proportion of total volume subject to maximum commission rates."

Yet even if the sales expansion was becoming progressively more dangerous, there was no possibility that it could be controlled—at least, not before "the Apocalypse," as IOS men later called the events of 1970. By the later 1960s, the working of the stock-option plan had put powerful blocks of IOS shares into the hands of men whose personal income was related very precisely to the sheer volume of sales. Toward the end, in early 1970, there was an attempt to have a "self-denying ordinance," under which personal commission incomes would be limited to $250,000. But even though the roof was falling in by then, the idea was killed by the sales bosses. And in the logic of sales, they were right, because the whole motivational structure depended upon the idea that any sacrifice was worth while to achieve an override structure: that if you sincerely wanted to be rich, you could win a source of wealth which would be limited only by the size of the new markets you could find and exploit.

This was the other side of the feudal structure of IOS. Like barons, the sales bosses remained loyal, in return for grants of territory and income, they were not interested in obeying the sort of rationalistic, bureaucratic rules that are necessary if a modern corporation is to control and organize its profits. They were not likely to be impressed by the suggestion that dividends could be paid on IOS shares only by reducing commission structures. For the most part, the sales bosses *were* the shareholders, and in a

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choice between commission income and share income, commission income would always win.

Until the Apocalypse, Cornfeld remained much the largest single shareholder. But this gave him the power to punish and reward only as between individuals: he could not impose unwelcome restraints upon a whole class of men. Cornfeld could exercise the sort of control that a medieval prince could when leading a crusade. He could indicate the rough direction in which the crusade should head. He could furnish an inspiring personal example and help to build up a lot of ideology about overcoming the infidel, rescuing the Holy Places, and so on. When the crusade happened upon some succulent piece of territory he could apportion it to this baron rather than that one. But he could not afford to suggest—even if it occurred to him—that there should be any restraint upon the acquisitive process as such.

But however expensive the IOS sales force might grow, it could provide a huge *bulk* of money for Cornfeld and Cowett to operate with. Surely, the weight of hundreds of millions of dollars must be able to produce profits for IOS, more than enough to compensate for the cost of the sales force. It was only a question of organizing the right leverages.

One basic approach was to search for exciting short-term capital gains with the funds, and to appropriate "performance fees" as a reward. This was done at first by putting money into stock-market operations, under conditions which virtually forced the managers to speculate.* When it became harder and harder to wring short-term capital gains from the stock market, IOS reacted in several ways.

One was to launch a new stock-market operation, which was frankly labeled as involving "more risk" than previous ones. The new vehicle was Venture Fund (International), launched in April 1969, partly as a response to salesmen who were clamoring for a new vehicle to sell, because they were worried by the rise of Gramco. Venture International quickly attracted over $100 million and within eight months it had spent $23 million—a quarter of its investments—on unregistered securities.

Another reaction was to get into real-estate promotion, but, whether from pride or caution, IOS would not emulate Gramco in building an open-end fund around real estate. Indeed, Ed Cowett went so far as to expound the dangers of the practice, and said that it was because of it he was at odds with his Harvard friend Lew Kaplan, who was General Counsel to Gramco. IOS's answer to "liquid real estate" was launched on

* See Chapter 17, "The Master Financiers."

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June 20, 1969: Investment Properties International, a closed-end property company with a capital of $100 million in nonredeemable shares. (IOS characteristically, kept all the voting shares for itself.) Investments were already on hand for the new fund, because IOS was building a series of costly apartment blocks at Playamar in Spain and Hallandale in Florida. The idea on the birth of IPI was neat: the fund investors would own the developments, and the apartments in them would be sold for the fund by the IOS sales force. IOS proposed to take off a 22½-per-cent commission for selling each apartment—and on the $46 million involved in the biggest development, the Hemisphere in Florida, that came to a handy $10 million for IOS. Out of that, expenses had to be paid, but it was actually that even Gramco could hardly sneeze at.

The company's own auditors pointed out that this was twice the usual commission. And Martin Seligson, who was in charge of IOS real-estate operations, consulted his lawyers to make sure that the level of commissions could be kept hidden from buyers.

Although the IPI shares were received with heated enthusiasm by the sales force in summer 1969, the operation was predicated a little too heavily on there being no limit to the numbers of wealthy Americans anxious to rent retirement homes in the sun, owned by unsuspecting German, Lebanese, and other IOS customers. The shares did not take long to become virtually unmarketable, and few of the customers can have made much money from their association with IPI. Martin Seligson, the boss of IPI, had a happier experience—especially in connection with the Florida land bought by the fund.

Next door to the Hemisphere in Hallandale, there was a tract of 173,000 acres of unimproved inland waterfront called the Waterways, a 60-per-cent interest in this land was owned by IPI, and the other 40 per cent was owned by certain "junior partners," including Martin Seligson, Chairman of IPI itself. (Seligson explained that when he joined IOS as a real-estate expert, he arranged with Cornfeld that he should be allowed to participate personally in such developments as he fancied.) In early 1970, IPI decided to buy out the junior partners, whereupon Seligson made a profit of $80,000 on a $110,000 investment. "Things like this can be made to sound terrible," says Seligson, "but I disclosed my interest. Everybody knew about it." The value, he maintains, was independently determined. Everybody did not include the shareholders. The transaction was not thought worthy of mention in IPI's 1969 report—which, indeed, did not even reveal the existence of minority-interest holders in the Waterways

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When the price of IPI shares began to collapse in the fall of 1969, IOS's stern line on the evils of liquid real estate first wavered, then broke. The open-end Fund of Funds began to buy up IPI shares in an attempt to keep up the price, and so FOF acquired in short order nearly half of all the IPI shares. Thus were real-estate holdings stuffed into an open-end structure.

Real estate, however, was only a sideline, although one that fascinated both Cornfeld and Cowett. Their most important response to the thirst for profits was to carry the search for "performance" beyond the stock market. They organized a section of FOF to invest in "communications media" and they tried to work out schemes for an art fund, and even a commodities fund which would speculate in cocoa, coffee, rare metals, pepper, and so on. The commodities and art funds were still talking points when the crash came, but they did expand into "natural-resources investment" where the performance of the investments, and, therefore, the profits accruing to IOS became a matter of their own heady estimates. (This is fully described in the next chapter.)

Nothing was overlooked that could turn a percentage on the customers' money: brokerage was scooped up, and arrangements were made to make money on lending out fund securities. Although not one of the biggest operations, this was, in a way, one of the most audacious.

It exploited the fact that a stockbroker may find himself short in a particular security, when he needs to make a delivery. This means he needs to borrow a supply of the shares, and in 1968 securities from FOF Proprietary Ltd. began to be loaned out to brokers. The collateral for the loans was cash, and of course interest was earned on the cash. If such loans—which would have been illegal for an American mutual fund—were to be made, all the proceeds should have gone back into the fund. But naturally IOS kept a slice of this income (called a "fee for advice") for itself. By 1969 the system was refined, and the fund "agreed to make its securities available for loan" to an IOS subsidiary. The IOS company then held the collateral cash when brokers borrowed the securities: so, in effect, IOS transferred fund money into its own hands. By this time IOS was keeping more than a third of the proceeds from the operation, getting on for $1 million a year.

Such devices were useful, of course, but the great hope and opportunity lay in the grandiose plans for investment banking, the ultimate expression of Cornfeld's dictum that "if you want to make money, don't horse around

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with steel or light bulbs—work directly with money." This was what lay behind convoluted deals like Commonwealth United: the idea that the IOS investment banks could underwrite gigantic financing operations, and take heavy fees for doing so, in the knowledge that the power of the IOS funds lay behind them to guarantee underwriting success. Something like a third of all the value of the bond issues underwritten by the IOS banks found its way into the investment portfolios of the funds. More bluntly: the customers' money was used to float securities promoted by Investors Overseas Services itself.

When, after its long hesitation, the market collapsed at last, the securities which the IOS banks had promoted were revealed, as one watcher in Geneva put it, to be "an unparalleled set of dogs." Still, short-term, the policy paid off. Profits from IOS Financial Holdings, the subsidiary which ran the banks, were under $1 million in 1966. They doubled in 1967 to $1.6 million, and more than doubled in 1968 to reach $3.4 million. In the first half of 1969, they seemed to be on their way to something like $10 million.

Just at the moment when the sales operation was about to become hopelessly uneconomic, the banks saved the day. By early summer of 1969, even though Gramco had stolen a march, IOS Ltd. (SA) was able to present itself as a fairly orthodox corporation making substantial profits.

It was a finely poised moment. IOS could not have cashed in before 1966, because the international financial community was still suspicious of the offshore game. The latter part of 1969 was the first moment that cashing in became possible: but it was also the last. The short-term problems were the greed of the sales bosses and the consequences of speculation. There was also, however, a problem of a more general nature.

The end of the first decade of the IOS Investment Program was now in sight, when large batches of ten-year programs would reach payout stage. Nobody who was aware of the set of charges which had been applied to those programs could be confident about the reactions which would follow. Proceeds from those charges had gone to support the lavish and erratic administration of IOS, and to help provide capital for IOS banks, insurance companies, and real-estate ventures. The search for performance had in part been an attempt to find gains such as would cover the effect of the charges. It had succeeded only partially, and time was running out.

Nevertheless, in the last blue summer of the offshore years, the great ramshackle golden galleon was still afloat, and still had steerage way. It should be possible to sell off a part interest in her fortunes, and experts were invited aboard to sound the well.

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The underwriting and public offering of the shares of a major corporation is one of the great ceremonies of capitalism. There is a flavor of priestly observance about the sonorous titles of the underwriting banks which are attached to the offer documents and listed in "tombstone" advertisements on the day of issue. One hundred and twenty-two underwriters, from New York, Tokyo, London, and most of the financial centers of Europe, put their names to the Investors Overseas Services offer in September 1969, and the list made an incomparably grander impression than Gramco's.

There was, however, a name missing, and its absence made the list unique in financial history. Although Banque Rothschild of Paris appeared as one of the six managing underwriters at the head of the list, the name of N. M. Rothschild and Sons of London did not appear at all.

The financial interests of the French and English Rothschilds are independent, but powerful ties of family and tradition remain. Nobody could remember an occasion when one Rothschild house had declined, as a matter of policy, to take part in an offering to which the prestige of the other house was publicly committed. The decision was taken only after a long and unhappy partners' meeting at New Court in London: it was one of the indications that the flotation of IOS Ltd. was not quite the stately financial occasion that it appeared to be at first sight.

Part of the trouble was the scope of IOS ambitions. Gramco only offered a million shares, and although the prospectus quoted some wondrous profits, it was reasonably plain that the thing was fairly chancy. "It seemed like a good speculation for our own account," said one London merchant banker. Few of the banks which underwrote Gramco actually sold the shares actively: they merely waited for inquiries, which as it happened were plentiful.

But where Gramco came along with a few hot shares and a terse fourteen pages of prospectus, IOS appeared with a sixty-seven-page tome in various editions on the strength of which they proposed to sell a total of *11 million* shares. At $10 apiece, that meant the offer was intended to raise $110,000,000. And when Ed Cowett declared that this was the biggest public offering of shares since the Ford Motor Company went public in 1956, and was the second biggest on record, he was virtually asking you to agree that a large part of the future of capitalism lay somewhere out beyond the continental shelf. For some people, that was too much to swallow.

The Gramco operation might be little more than an agreement to "make

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a market" in some shares. But there was no getting away from the fact that the IOS operation was presented as a proper underwriting business. The six banks whose names appeared on the cover of the main prospectus were supposed to have made a thoroughgoing investigation of IOS and its affairs. On the strength of the reputation, and the inquiries of the principal underwriters, the other one hundred and sixteen underwriters accepted and represented that IOS was a serious, well-organized financial concern whose shares were worth $10 apiece in their opinion.

The London Rothschilds were not alone in refusing to underwrite IOS. A number of important London banks refused, including Warburg's and Hambro's. And although some big Wall Street names came in, Kuhn, Loeb—normally part of any important underwriting—did not appear. None of the big German banks came in, although Commerzbank Aktiengesellschaft had unbent so far as to join in the Gramco fun. But despite such exceptions, the big list was an imposing one.

There were twelve French banks, including the Banque de l'Indochine, Banque Worms et Cie., and the Banque de Suez et de l'Union des Mines. There were thirty-four British banks and financial concerns—the biggest contingent—which included major stockbrokers (Cazenove & Co., Panmure Gordon & Co.), two of the biggest banks (Westminster and Barclays), Lloyds Bank Europe, J. Henry Schroder Wagg & Co., Samuel Montagu & Co., and Slater, Walker Ltd. There were twenty-five American firms, including Bache & Co.; Bear, Stearns & Co.; Loeb, Rhoades & Co.; and Goldman, Sachs & Co. There were four Japanese securities companies, and banks from Sweden, Norway, Switzerland, Finland, Denmark, Belgium, and Australia.

Yet the prospectus for the offer was marred by misrepresentations and inconsistencies. Its different editions did not even agree as to the arithmetic of the number of shares being offered, and the company which was under offer was actually so ramshackle that within six months its shares were barely salable.

Accidents happen in the best of underwriting operations, but this was a very big accident. General responsibility may be ascribed to the offshore euphoria of the year but particular responsibility belongs to the six banks which were principal underwriters for IOS, and which, therefore, received principals' portion of the $3.2 million, plus expenses, which the offering produced in fees and discounts. As ranked in the prospectus, they were Drexel, Harriman, Ripley Inc.; Banque Rothschild; Guinness Mahon & Co. Ltd.; Hill, Samuel & Co. Ltd.; Pierson, Heldring & Pierson; Smith, Barney & Co. Inc.

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Drexel, which led the principal underwriters and therefore bore the chief responsibility for investigating IOS, was at that time a new amalgamation of a New York house with an old-line Pennsylvania house. The amalgamation changed almost immediately after bringing IOS to market: several partners departed and the bank changed its name to Drexel Firestone, with an insertion of capital from the tire firm Firestone.

Banque Rothschild, of course, ranked as one of the most eminent investment-banking names in Europe. But before the public offer, IOS and Banque Rothschild were working on the joint promotion of IOS's first French "product," the mutual fund called Rothschild-Expansion. Granted this, Banque Rothschild could scarcely decline to underwrite the offering of IOS itself.

Similar considerations applied to Guinness Mahon, first-named but smaller of the two London merchant banks. Since 1966, Guinness Mahon had been handling a block of IOS investments on the London Stock Exchange. Martin Brooke, a Guinness Mahon director, was also on the IOS Board. In effect, both Banque Rothschild and Guinness Mahon had taken the position that IOS was a sound concern before the underwriting inquiries began. The latter three principals played somewhat lesser parts. Pierson, Heldring & Pierson is a distinguished Amsterdam concern which is affiliated with Rothschild interests—on IOS, they agreed with the French, rather than the English, branch. Hill, Samuel is a London bank with a taste for large, international deals, and Smith, Barney, the last-ranked principal underwriter, is a well-known New York investment banker.

If, from time to time, any of the underwriters were worried by any antic of Cornfeld's, they found relief in the suave, masterful person of Ed Cowett—easygoing, tireless, with every figure at his fingertips. "All the underwriters liked the look of Ed," said one IOS accountant.

There were actually three different but simultaneous offerings of IOS shares. What the international banking group underwrote was the selling, to investors at large, of 5.6 million newly minted common shares of IOS at $10 apiece. After underwriters' commissions, this put $52 million of new cash into the IOS corporate treasury.

At the same time, people who already held existing IOS shares offered parts of their holdings at the same price of $10. Through J. H. Crang & Co., IOS's Toronto broker, 1.45 million shares were offered to the Canadian public. Through IOS's own Investors Overseas Bank another 3.95 million shares were offered to salesmen, customers, and employees of IOS itself. These two offers, totaling 5.4 million shares offered for $54 million,

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constituted the long-awaited "cashing in." That sort of money seemed to have been worth waiting for.

There were some doubts about the wisdom of IOS going public, especially among the staff, as against the salesmen and big shareholders. Essentially, all these doubts were about whether IOS could stand the searching glare of public examination and the obligation to publish detailed accounts. These were misgivings, of course, which were amply justified, but they were only expressed at the time in disguised form. Another objection was that the markets were generally in poor shape. Cowen simply replied to this that a poor market would make the IOS offer look all the more attractive.

He had an inspiring example to offer, because in November 1968 IOS had floated off 600,000 shares of one of the principal subsidiaries of the empire, IOS Management Ltd. This was a Canadian-registered concern through which IOS channeled the straight management-fee income from three funds: the Fund of Funds, IIT, and the Canadian Regent Fund. In effect, IOS was selling off part of the income from its large funds, and the markets certainly appeared to think that this income was going to increase. The little parcel of IOS Management shares was formally offered at $12.50: trading began at $75 and in March 1969, when anything that could be called "offshore" was at a hectic premium, IOS Management shares stood at $180 each.

The prospectus for a public offering of its shares is perhaps the most serious document a company ever produces. There must be no puffing, no concealment, and no misrepresentation. The prospectus must give investors a truthful description of the company, whereby they can make rational estimates of its capacity to earn profits. Drexel, Harriman, Ripley and their legal counsel in New York, Shearman & Sterling, were acutely aware that IOS, because of its past history, was something of a tricky proposition for them, and in the early summer of 1969, they spent a good deal of time trying to get some kind of blessing for their project from the SEC. They made eloquent assurances that they would conduct a thorough investigation of IOS, and would make sure that the prospectus was up to SEC standards. The Commission officials, however, were noncommittal. They merely said that the project was not illegal and that if Drexel wanted to go ahead, it was up to Drexel's own business judgment. As none of the IOS shares were to be sold to American citizens—what Drexel was underwriting was an *international* offer—the SEC ban on IOS did not apply.

At one meeting, in June, the men from Drexel and Shearman & Sterling

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suggested that the underwriters might be able to get to the bottom of things at IOS that the SEC had not been able to do. According to IOS's own records of the offering, Allan Mostoff and his SEC colleagues were amused. Laughingly, Mostoff said they would be interested to see the prospectus when it came out.

Throughout the summer of 1969, a team of IOS accountants labored at calculations with the team from Drexel, Harriman, Ripley, and with another from Price Waterhouse, the accountants retained to advise the underwriters. Cowett commanded every aspect of the work, and in mid-July he personally directed the maneuver by which IOS Ltd. (SA) of Panama City turned itself into a Canadian corporation, with the same shareholders and officers, ready to have its shares listed on the Toronto and Amsterdam stock exchanges.

The basic IOS prospectus which emerged from this process ran to some 45,000 words, dense with legal definitions and statistics. It appeared to portray, if read with sympathy, a mighty and fast-growing international financial empire; twelve mutual funds, five insurance companies, eleven banks and financial-service concerns, four real-estate management companies, a construction company, a computer-service company, and a couple of small publishers. The injection into the treasury of the parent company of another $52 million capital would enable new expansion to proceed. And it was surely no less than proper that those who had built this great edifice so rapidly should be rewarded in separate share offerings.

Yet looked at with careful skepticism, there was much information in the prospectus which would produce a second, quite different, picture. This was of a company scarcely profitable, if at all, in terms of its rationally predictable income, which was from the sale and routine management of mutual funds. This was a picture of a company whose profits were increasingly cobbled together from a series of on-off deals and speculations. It was the general quality of the prospectus that the first picture was more easily visible than the second. There were particular omissions which contributed to that effect.

And there was something more than mere omission involved where a very considerable body had been stuffed under the carpet. The process left a couple of ruffles, which nobody noticed at the time of the offer. But they were clues to a misrepresentation which had its origins in the history of IOS and in the careers of Cowett and Cornfeld, and which affected the validity of the proposition on which IOS offered to sell its shares.

The reputation of IOS, as a manager of mutual funds, was firmly pinned to the idea of "performance." At the time that the offering was being

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prepared, the IOS performance flag was moving from the Fund of Funds over to IIT. And by the time of the offering, IIT had nosed past FOI and was again the biggest of the funds, with some $640 million under management. The reason that IIT attracted more mutual-fund investors in the late 1960s was that it appeared to have a better rate of investment growth than the Fund of Funds, which had begun to fade somewhat. The records on which IOS sold IIT said that the shares of the fund had been worth $3.53 in 1962, and by the autumn of 1969 each IIT share was worth $8.82. It thus appeared that the fund's shares had increased in value by 150 per cent over seven years under IOS's management—an impressive record.

It was also an *untrue* record, because the life of IIT began in December 1960, not autumn 1962, and at a value of $5 per share, not $3.53. The fund's shares fell to only $3.53 during 1962, under the impact of a series of investment disasters, including the collapse of a number of Ed Cowett promotions.

On the true record, IIT had not increased 150 per cent. Over nearly a decade, it had increased by 76.4 per cent. As "performance" that was mediocre, to say the least. Taking the sales load into account, a customer would have done better—with much less risk—by getting into a fixed interest investment at 6 per cent and reinvesting in his returns each year.

The usual rationalization advanced by IOS executives to justify selling IIT on incomplete records was that the fund management had been reorganized in October 1962, when IIT was first offered under the IOS Investment Program. The accompanying implication—though misleading—was often that IIT had not been managed by IOS before then, even if IOS sold its shares. It was a rationalization which avoided the whole purpose of fund records, which is to help investors discover whether a fund has suffered from just such afflictions as would require its management to be reorganized.

Sometimes, IOS men suggested that the point was "unimportant." The suggestion that it didn't matter if most of the customers of one of the world's biggest funds had bought after receiving false information scarcely requires comment. And it hardly squares with the devious means which were used to obscure the facts at the time of the IOS offering.

There were three editions of the IOS prospectus: a Drexel edition, which bore the names of the principal underwriters; an Investors Overseas Bank edition, which generally followed the Drexel one, and a Crang edition, containing information required by Ontario securities law. They differed on the IIT point.

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DREXEL EDITION

A table on page 15 encapsulated the history of the IOS funds. One column gave the year when each of them had been "organized" or "acquired"—but without saying which word applied. Against IIT's name, this column gave the year "1962."

On page 17, this statement was qualified in the text. IIT was described as "an open-end mutual fund, *organized* in December 1960 as a unit investment trust under the laws of Luxembourg, which *came under the company's management in 1962*." (Our italics.)

Taken together, the two statements could have only one meaning. Since the second said that IIT was "organized" before 1962, the first could only mean that IOS had "acquired" it in 1962. Therefore, IIT had been organized and run for some time by someone else, who sold it to IOS in 1962.

This was a plain misrepresentation, in the main prospectus, but so worded as to seem to fit in with the rationalization usually given for IIT's incomplete record. It suggested that IOS had had *nothing* to do with the sad early history of IIT.

The falsehood is exposed by placing alongside the prospectus IOS's Annual Report for 1961 (a document which it took us some time to find). The report records plainly that IOS "organized" IIT in December 1960, and that IOS owned 100 per cent of the stock of IIT Management Company. The 1961 report is confirmed by company registration records in Luxembourg.

CRANG EDITION

This was the prospectus in which misrepresentation would be most dangerous—IOS being by now a Canadian company offering shares to Canadians. Even so, there was some blurring of the IIT date. On page 4, giving a history of IOS, the prospectus said it was in 1961 that "IOS sponsored its first mutual fund . . . IIT." On page 9, in a table, the prospectus gave the correct year, 1960. (IIT, it should be noted, was never sold in Canada.)

INVESTORS OVERSEAS BANK EDITION

An early version gave, correctly, 1960 for the start of IIT. But the final version repeated the Drexel formula—thus suggesting, in its table on page 15, that IIT was not acquired until 1962.

Interestingly enough, Arthur Andersen & Co., the auditors to IOS and to IIT from 1960 on, specifically assured the underwriters that they had read page 15 of the prospectus. They took no specific responsibility for

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the accuracy of the prospectus at this point, but they did not report any omissions or distortions.

The misrepresentations over IIT not only allowed IOS to exaggerate its success in its basic line of business, namely, managing investments, but also obliterated clues pointing toward a discreditable but still recent episode in the history of Ed Cowett—the architect of the public offering and the man on whose personal standing the company was brought to the market with the imprimatur of the international financial community.

Another corpse was buried at the point where the prospectus implied that IOS was actually making profits on its sales operations—when, in truth, it was making whacking losses. At the top of page 10, a table declared that "sale and management of mutul funds and related income" provided 37 per cent of the company's profits during the first half of 1969. The text then said: "The Company does not allocate operating expenses between the sales and the management of mutual funds."

Considering that the essence of the mutual-fund business is to control sales costs, while making profits on management fees, this was not a very enlightening accounting policy. The text went on: "Although revenues from mutual fund sales are significantly higher than mutual fund management fees, the company believes that management activities currently provide a much greater contribution to net income." ("Net income" = "profits.")

This implies quite clearly that sales are making *some* contribution to profits. Yet by turning to pages 6 and 7, the reader could make a tortuous calculation, and deduce that the reverse was the case. On these two pages were the *Statements of Consolidated Income and Retained Earnings*. From this, the reader could extract the earnings of IOS Ltd. from all sources *other* than sales between January and June 1969: "management and service fees, interest, etc."; "earnings of unconsolidated subsidiaries"; and "income from Proprietary Funds." Altogether, these three items added up to $14,392,000. Yet the "net revenue," or profits, were much less: $9,521,000. Something, somewhere, was losing the difference, that is $4,871,000. Realistically, it could only be the sales force. And in the "Apocalypse," of course, it emerged that the sales force, far from making any contribution to profits, was losing money heavily.

"If you took a look at the profits for the first half of 1969," said an IOS accountant who worked on the prospectus, "the alarm bells were ringing all over the place." Maybe they were: but you had to know how to listen. And even if you did wonder whether IOS might not be losing momentum, there was a note on page 8, a sort of reassuring caveat which might dispel some fears. It was expected, said the note, that net income would decline

in the third quarter of 1969. But the experience of previous years showed that IOS's last quarter was usually the best.

Just as the early history of IIT was eliminated, and the cost of the sales force covered up, so the prospectus minimized the evidence of IOS's injudicious investment-banking operations. The Crang prospectus did not even mention Commonwealth United Corporation, and the Drexel edition dealt with it in a footnote. This (repeated in the final IOB edition) merely said that Commonwealth had become "illiquid," and that IOS had caused Investment Properties International to lend it $4.5 million from fund money.

But before the completion of the prospectus, the IOS banks lent another $3.5 million to Commonwealth—a corporation which, since June 1969, had been unable to raise credit anywhere else. These advances put IOS Ltd. itself at a risk in the affairs of the sickly conglomerate. But there was no way purchasers of IOS shares could know that. (Eventually, IOS had to take over the IPI loan, advance still more money, and establish a $7-million reserve against Commonwealth commitments.)

Cowett, subsequently, claimed that the Commonwealth loans were left out of the prospectus because IOS regarded them as "normal banking transactions." Yet Commonwealth have since admitted that the only reason they agreed to IOS's abnormal terms* was that no one else would handle the transaction.

Possibly the most basic requirement in a prospectus is a description of the share capital of the company being offered. Yet the different editions of the IOS prospectus did not even agree on that. The Crang version makes a simple arithmetical error in one section, which overstates by 100,000 the number of shares being put up by selling shareholders. As to the total share capital of IOS, the best calculation one could make, on the documents available on September 24, was that the total number of IOS shares outstanding was not much less than 48 million and not much more than 49 million. Thus, an investor could not even compute the book value of his shares precisely.

This was the prospectus which Drexel, Harriman, Ripley together with Shearman & Sterling set out to make the equivalent of those written under SEC regulation. Apart from other omissions, it told the investors remarkably little about what the company was going to do with their money. There was nothing more than an airy reference to making time deposits, and to expansion in "banking and insurance areas."

Having completed their investigation, the banks haggled with Cowett

* See Chapter 17, "The Master Financiers."

over the price at which the IOS shares should be launched. Great intere was being expressed in the offer, and in London it was reported that tl investment-dollar premium was forced up by the eagerness of would-l investors. In Geneva the rights to IOS shares "when issued" changed hanc for as much as $28 per share.

The directors of IOS were euphoric. Many of them thought that Cowe should ask the underwriters to set the launching price at $15, even $2 per share. Their attitude was that they weren't going to give IOS share away to a lot of bankers at bargain prices: if the underwriters didn't lik it, then let them drop out—IOS would sell the shares themselves. Wit some difficulty, Cowett, who was the realist on this occasion, got the board's authority to settle for $10. Even this left the underwriters unhappy Guinness Mahon thought the price should be $7, and Drexel, Smith, Barney and Banque Rothschild thought $8. Late in August, there was a long difficult meeting in Geneva, and Cowett managed to get the underwriters to come up to $9.50. Complaining bitterly, the IOS Board accepted the price. Bernie was telephoned in Paris, and he too assented, rather reluctantly.

The underwriters were already dispersing toward their homes, and toward the Swiss mountains, when late in the afternoon Cornfeld called Cowett again from Paris. He wanted to talk to the underwriters himself With some difficulty, Cowett reassembled them and Bernie flew to Geneva to make the new pitch.

"He talked to them about the mystique of the company," recalled Cowett, "and he talked to them about the mystique of ten dollars. And goddam it, he convinced them. Of course, within half an hour, they were unconvinced again—but they had done the deal." It was the conceptual salesman's finest single achievement, and so he closed the deal for a single sale with a face volume of $110 million.

Of that money, roughly half went to the selling shareholders, and the influx to the IOS corporate treasury from the sale of new shares was $52,400,826, after deductions (for underwriting commissions, etc.).

If ever a company needed to raise new capital, it was IOS: on the day the proceeds came in, the effective cash position of the IOS parent company was $1 million. But the respite for the treasury was short-lived. The new cash was rapidly disposed of in a series of intricate and profligate schemes. In order to understand the inner beauty of the grander ones, it is necessary to become better acquainted with John McCandish King.

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The Book of Revelations

The people who "sincerely wanted to be rich" are rich! A tally of millionaires and multimillionaires. Joel Mallin and the "lifetime system of tax deferral." Cowett buys some shares, and the money runs out at last.

On October 15, 1969, a young woman in a mini-car arrived at the City of London offices of the Bank of New York and handed over to a small crowd of visiting bankers certificates for 5.6 million common shares of IOS. The bankers had actually been expecting a rather more high-powered deputation, but they paid over $52,400,826 to the IOS treasury in exchange. It was almost certainly the largest single sum which ever belonged to IOS, and constituted the stake in the last great IOS business game.

The statement may seem an odd one, but it must be remembered that the $2 billion in IOS funds belonged to other people. The safeguards over the investment of that money were pliable—but it remained true that the power of that cash could only be used by the IOS men themselves through the adroit use of leverage. The $52 million from the share issue was subject to no such restrictions: the previous chapter began to indicate the spirit in which IOS approached the task of spending it.

The investors were promised, in the prospectus, that the money raised would be used "to develop and expand the Company's activities, pursue

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in the banking and insurance areas." If that promise was made seriously it was rapidly abandoned. Apart from tax-avoidance schemes and the like, more than $8 million of the money raised was used almost immediately to buy stock from Cornfeld, Cowett, Cantor, and the rest of the shareholders who were cashing in.

Drexel, Harriman, Ripley, and the other distinguished underwriting banks were disposing only of new IOS shares. They did not want anything to do with the selling off of existing shares by members of IOS—the long-awaited "cashing in." J. H. Crang, the Toronto brokers, sold 1,450,000 of the existing shares to the Canadian public, and IOS's own Investors Overseas Bank was lined up to sell off 3,950,000 to some 25,000 employees, salesmen, friends, and customers of the firm.*

It was Cornfeld's claim that at the public issue one hundred members of IOS would become millionaires—and this claim, at least, was no exaggeration. Our own inquiries into the "cashing in" traced eighty-seven millionaires, and, because of the confusing nature of the records available, we probably missed a few. Of course, not all of them remained millionaires for very long: those who did were, on the whole, the ones who made the most thoroughgoing use of the right to sell shares, which had so long been denied to them. Cornfeld himself, who had always been able to sell, disposed of just 10 per cent of his holdings, which netted him $7.8 million cash, bringing his total proceeds from sales of IOS shares to some $14 million over nine years. (That, at least, is his own account.) After this sale he was left with holdings worth around $90 million on paper.

Among the high command of IOS, there was some agonizing over the question of the exact proportion of his or her shares that each shareholder should be entitled to have freed from restriction in order to sell. It was necessary to put up a reasonable number of shares in order to make the offer worthwhile. But at the same time, if too many were offered, it would spoil the price. Indeed, to float off the entire IOS shareholdings as it existed in 1969 would have required, at $10 per share, about half a billion dollars: a demand which would have utterly exhausted the international investment market.

The other tricky point was that the offerings of existing shares, via Crang's and the Investors Overseas Bank, would have to be made at whatever price Drexel and the other underwriters settled for the new shares. There was great reluctance among the big shareholders to sell any more of

* See Chapter 18, "A Very Long Way Offshore."

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their own shares than they had to at prices fixed by people they regarded as a crew of mean-spirited bankers. They thought that the share price was going to boom: their idea was to get a market established and then they would be able to sell when the prices were far above the issue level.

In the end, a rule was agreed upon that everyone inside IOS who had held their shares for more than ten years must sell at least 10 per cent, and no more than 50 per cent. The rest could sell up to 10 per cent of their holding.

The general pattern was that big shareholders who had retired and were no longer active in the company, sold very large blocks and often the full 50 per cent. Those who were still involved stuck mostly to 10 per cent. This was not simply because they were involved in the boom mentality generated in the IOS Board room in the late 1960s. Another reason was that most of them were beneficiaries of Joel Mallin's "lifetime system of tax deferral."

Joel Mallin is a New York lawyer who favors pink shirts, wide [illegible]ed silk ties, and heavy jewelry. He did a good deal of commuting to and from Geneva as the moment of offering approached. He designed a mechanism to vanquish the capital-gains tax as thoroughly as IOS's other arrangements had been designed to vanquish income tax. The first step was to erect a large batch of foreign, discretionary trusts in the Bahamas, using IOS banks, and the faithful International Credit Bank, as trustee. Then each big shareholder became a beneficiary under one of these trusts. "It was a kind of tax-avoidance supermarket," said one of the beneficiaries. "We didn't bother with guys who had less than 10,000 old shares," said Mallin. As the flotation of IOS was accompanied by an eight-for-one series of stock splits, that meant they did not bother with anyone who had less than 80,000 shares in the new setup: in other words they didn't bother with anyone who was worth less than $800,000.

The next step was for the shareholder to transfer his shares at a relatively low price to the trust. The trust would sell 10 per cent of them in the public issue for $10 each. Out of the proceeds, the trust would pay the shareholder for his shares in installments spread over five years. The trust would not, of course, be subject to U.S. capital-gains tax, and although the installments would have to be reported, they would be spread over a considerable period. The theory was that the trust would sell another 10 per cent each year, again with payments to the original shareholder to be made in installments over five years.

"This was deferral of tax, rather than avoidance," said Mallin. "True"

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he added, smiling finely, "in this case it might be lifetime deferral—coupled with absence of liability to estate duty." *

Combining these advantages with the attractions of an orderly—and as they hoped, rising—market, men like Harvey Felberbaum and Roy Kirkdorffer elected to take 10 per cent of their shares out of restriction in 1969, with another 10 per cent to come in 1970. For this reason the biggest cash sums in the offering, after Cornfeld's own, were mostly taken by men who had been away from 119 Rue de Lausanne for some time. Lester Hayes, the one-time ballroom dancing champion, a veteran of the Boulevard Flandrin days, sold half his shares, and received $3.5 million cash. John Templeton, an American fund manager who put up some much-needed capital for IOS in 1962, received $2 million; and so did John Curran, the old rewrite man from the *Herald Tribune*. Eli Wallitt received $1.5 million—but he sold more than 10 per cent, not because he was about to retire from the IOS Board, but because he was financing the purchase of a lakeside mansion in Geneva.

Just behind him came an almost equally wealthy group: George Landau, now chief administrator; Don Q. Shaprow, overseer of Africa; Gladis Solomon, head of the IOS Foundation; and Richard Hammerman, the insurance expert. Each of these received $1.2 million for selling a tenth of their shares. This left each of them with another $10.8 million of salable shares at $10 per share.

There were 490 shareholders who put up shares for the "cashing-in," raising altogether some $52 million from the market, roughly the same sum as was raised by the new shares. Very much the richest of these pickings went to Bernie and his grand old veterans: indeed, just fifteen people, all of whom took $1 million apiece or more, accounted for $26 million of the cash between them. The list of sellers that IOS sent to J. H. Crang in Toronto reads like a wonderful, golden version of all those early sales-bonus lists. George Tregea, the man who left Brazil so hurriedly, took $1 million cash. Ben Heirs, who started his training alongside George Landau in Geneva almost exactly ten years before the public offering, sold shares to the tune of a little over $1 million: that, after underwriting discounts, brought him $988,000.** Allen Cantor took $1.1 million. Bob Sutner, another veteran of the early days in Latin America, took out $1 million. Hy

* Whether the Internal Revenue Service would have accepted this ingenious scheme was a matter eagerly debated by the shareholders and their legal advisers. In the end, the matter became academic: the collapse of the IOS share price solved most people's capital-gains problems for them.

** All our figures are for amounts received in cash, after underwriting discounts.

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Feld, a quiet man who ran the New York office during Bernie's ill-fated attempt to crack the U.S. market, took $1 million. The men who sincerely wanted to be rich were at long last rich—and in nearly every case, the cash that they took seemed to be merely an hors d'oeuvre, as it were, for the real feast which was to follow.

Even those who did not take the magic million had some impressive sums to their name. Ambassador Roosevelt received $684,000 and Barry Sterling, the investment banker, $691,600. Roy Kirkdorffer took $489,000 and Harvey Felberbaum took $605,416. As both of them were selling 10 per cent through the trust system, that placed their fortunes at $5.1 million and $6.3 million apiece. (And we have records only of IOS shares: other investments could well have been made out of the override riches.)

It may seem odd, at first glance, that Cowett was only recorded as cashing in for $658,692, placing his fortune at just under $7 million. But Cowett, as we said earlier, was playing the game for its own fascinating sake. He liked being rich—but sincerely, he wanted to wheel and deal.

There were solid rewards too, for lesser characters in the saga. Howard Stamer and Robert Haft, the New York attorneys, made sales worth $389,120 each. Eric Scott, head of Crang's, the Toronto brokers, sold a comfortable $136,800 worth. Sameera Abou-Haidar from Beirut got $163,000. Ray Tabet, Sameera's boss, took $378,480. C. Henry Buhl III sold $457,000.

Going through the list of selling shareholders, it is possible to count eighty-seven people who sold $10,000 worth or more of shares. Assuming that their sales were in each case 10 per cent of their holdings, then this meant that each of them had a shareholding worth $1 million at the price of $10 dollars—more, if the price rose.

Bernie Cornfeld was busy assuring everyone who would listen that the shares were a fine investment. Secretaries, cleaning-ladies, and messenger boys at IOS were exhorted to get in and buy while they could. Visiting reporters were offered shares. Much euphoria was generated, but at the end of the formal offer period, the Investors Overseas Bank, which was selling on behalf of existing shareholders, still had an embarrassing block of 800,000 shares on its books. Was the sale to be incomplete, leaving the men who were cashing in to go short of $8 million?

A charitable body came forward to prevent any such distress: none other than the IOS Foundation, promoter of Pacem in Terris. There was a slight problem: the Foundation lacked the necessary money. But IOS had just

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received $52 million for its new shares. So IOS lent the Foundation $8,344,-000 to make the purchase and complete Phase One of the cashing in. Thus $8 million of the money that had been put up on the promise that it would go into the "development of banking and insurance" actually went to help develop the personal fortunes of the chieftains of IOS and their followers.

Amid all the intricate devices of the latter years, this is the one which shows most clearly that IOS had become, at heart, just a series of deals in the minds of Ed and Bernie. In this series of transactions they finally lost touch with even the fictional legalities of the offshore game.

Taking up 800,000 shares left the IOS Foundation with a huge debt which it could not possibly pay off unless it resold the shares. No problem: Cowett had another useful little Bahamian company called The IOS Stock Option Plan Ltd. He switched the block of shares to this company and decreed that the transfer amounted to a repayment of the loan, which was simply canceled.

The maneuver depended on the protean nature of The IOS Stock Option Plan Ltd. It had been formed to get around a problem which resulted from the shifting of the home of IOS Ltd. from Panama to Toronto, Ontario. Ontario securities law prohibits a company from buying its own shares. But in order for the stock-option plan to work, IOS had to be able to buy back its own shares at any time. Answer: turn the plan into a Bahamian company whose voting shares were owned by three private individuals, Cornfeld, Cowett, and Cantor. IOS itself only owned nonvoting shares and, therefore, according to IOS lawyers, it was not a subsidiary of IOS and could buy IOS shares. For Cowett's purpose, however, the stock-option plan was considered such an integral part of IOS that a loan made by IOS could be canceled out when "repayment"—in this case the transfer of IOS shares—had been made to The IOS Stock Option Plan Ltd.

What IOS had really done was simply to pay out $8 million of its newly acquired $52-million cash to the selling shareholders. They got their money all right, although someone, at some point in the series of book entries which constituted the transaction, lost track of events. It emerged that the bank was acting improperly in being a trustee of the Foundation, because it did not have the proper Bahamian trustee license. The whole deal thus became quite improper, and attempts were still being made to sort it out in the middle of 1970. By that point, The IOS Stock Option Plan Ltd. had been exercising the powers of its ambiguous nature to the full, and had become a major stockholder in IOS Ltd., playing a crucial part in the downfall of Bernie and Ed.

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Although the new shares in the hands of the one hundred twenty underwriting banks were snapped up eagerly on October 15, it soon became clear that a sizable number of the outside investors had bought shares, not to hold, but to resell for a swift profit. Without its being widely realized, the long speculative cycle was running out of steam. There were many IOS salesmen who were "fantasy-oriented," in Eli Wallitt's phrase, and who believed Cornfeld's estimate that the price would hit $25, even $50. Many of them borrowed all they could get to buy IOS shares far beyond their means. But the fact was that the sophisticated people inside IOS, like Wallitt himself, were more interested in selling IOS shares than in buying them.

Whatever euphoria may be generated, the price of any share is eventually determined by the earnings it is expected to produce. Cornfeld was declaiming that IOS profits would be $30 million for 1969 and by 1975 there was going to be $15 billion under IOS's management. . . . He was not exactly disbelieved, but experienced investors were feeling cautious.

After a flurry on the first day's trading, the IOS share price stabilized briefly at $14. On the earnings per share calculable from a $30-million profit for IOS that meant the market was giving IOS a not ungenerous multiple of twenty-three times 1969 earnings for each share. Yet even so, there was a drift down.

It was clear that a hideous chain reaction must follow from a drop in the IOS share price. First, the fierce motivation of the sales force depended on the idea that salesmen should desire the shares available under the stock-option plan. Formerly, the share price which spurred their efforts had been fixed by IOS itself, under the "formula value" * system. But now there was a quoted market value. If the price collapsed the efforts of the sales force would slacken, whereupon profits would again decline further . . . If the downward drift should turn into a collapse, it would bring down with it the whole of Cowett's finely balanced edifice.

Almost immediately after the issue, Cowett began, secretly, a heavy program of buying up IOS shares. It continued, at varying intensity, until April 1970, and it had the effect of propping the price up above $10. Then, at the end of the first week of April, reality broke in and the price collapsed through the $10 level. Within three weeks, the shares were virtually unsalable.

Commercial moralities vary in detail upon the question of companies buying their own shares. It is, for instance, a cardinal offense in British law, although permitted to a limited extent in the United States. But no

* See Chapter 5, "Early Travels in the Offshore World."

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commercial code permits a company to manipulate the price of its own shares, creating a "false market." The buying of IOS Ltd. shares, including those taken up by The IOS Stock Option Plan Ltd., sucked back more than 15 per cent of the shares on the market. This undoubtably created a false price.

Cowett himself denies that the program was begun as a price-support operation, whatever it looked like in the end. And indeed, there was such a tangle of purchases, in Cornfeld's name, in the names of Cowett's and John King's family trusts, and by The IOS Stock Option Plan Ltd., that it is difficult to ascribe any one purpose to the operation. During the months it went on, it may have had different emphases at different times: it could have been part of an attempt by John King to become a dominating shareholder in IOS; sometimes, as when the "profits" of the Arctic performance in December gave a brief fillip to the market price, it may have been a program of speculative personal investment. In retrospect, Cornfeld told us, as in 1962 "Cowett fell for the delusion that he could support stock prices through leverage."

Cowett says that some time in October he and Cornfeld, in Geneva, had a conference phone conversation with John King in Colorado. King was in the bar at his ranch house. They all agreed that IOS shares were a fine investment at $14 each, and that they should form a pool to buy them. The idea, said Cowett, was to buy the shares in Cornfeld's name and divide them up afterward. A special account was created at the ODB to handle the purchases.

If in October 1969 you still thought that IOS Ltd. would actually produce the $25-million profit on which its public offer was predicated, and if you knew that a $10-million profit boost would come with the announcement of the Arctic maneuver in December, then you might have thought IOS a smart buy at $14. However, if that was his motivation, rather than price support, then Cowett was committing a commercial sin of an opposite nature. Directors of public companies are certainly not supposed to buy up their shares on the strength of inside information that they have not given to the investing public.

Cowett says that what he was doing was not insider trading, because Cornfeld had mentioned the idea of Arctic revaluation to a conference of IOS salesmen in the summer. The trouble with that is (a) a talk to his own salesmen was scarcely a public disclosure and (b) why wasn't the information in the prospectus, finalized September 24, 1969?

In any case, though Cowett may have believed that the IOS shares ought to be rising, the reality was that they were going down. The price slid from

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$14 on October 15 to $11½ by the end of December. Then it recovered briefly to $13½, when speculators computed the results of the Arctic performance fee on IOS profits. The price would certainly have fallen much faster had Cowett not spent roughly $11 million buying back IOS shares from the market during November and December.

The market in IOS shares had little to do with any regular exchange. Essentially, it consisted of deals done with and between a group of banks scattered around Europe. One of the leading lights of this market was Mel Rosen, an old friend of IOS's New York broker, Arthur Lipper III: Rosen had left New York to work for an offshore fund group, and helped to set up the Deposit & Finance Bank in Luxembourg, a specialist dealer in the so-called "Euro-equities," like Gramco Management shares. Shortly before the IOS offer, Cowett brought Rosen into IOS, and under Rosen's guidance the ODB became a leading dealer in shares of IOS Ltd.

Rosen and the ODB worked closely with Banque Troillet, another Euro-equity specialist, owned by the large Swiss Banque Romande: together ODB and Troillet led the dealing in IOS shares in Geneva and Luxembourg, where both had branches. In Amsterdam, the dealing was led by the Slavensburg bank, and in London by Guinness Mahon. This market, which Cowett himself had helped to set up, was strikingly free: just a few bankers with busy Telexes, arbitrating between supply and demand rather like bookmakers making book. There were none of the minimal stock-exchange rules on, for instance, disclosure of buying-in operations. Cowett's operation could therefore be conducted in great secrecy.

Indeed, Cowett did not even tell the IOS Board what he was doing, and Cornfeld himself claims not to have known until February just what was happening. Cornfeld admits to remembering some general talk about a pool with King and Cowett in the autumn of 1969, but says he heard no more until February, when he was in New York to address the *Institutional Investor* seminar. Allen Cantor, he says, called from Geneva to say that big blocks of IOS shares were being bought on Bernie's ODB account, and did Bernie know?

It seems unlikely that it would have occurred to Cornfeld at this point —with the applause of half Wall Street ringing in his ears—that IOS shares could even need supporting. On the strength of the gigantic but deceptive sales inflow of the previous summer, he was now predicting that IOS would become the most important economic force in the world. And on his own account, he was at that time less interested in present details of the business than in certain plans to set up a chain of hotels in Latin America in col-

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laboration with *Playboy*. As he put it to us later, this was another far-sighted attempt to create investments which would transcend falling stock markets: Cornfeld reasoned that "people would always go to the Playboy Hotel, in the hopes of getting laid." However, he diverted himself from this, and from his denunciations of the SEC, for long enough to tell Cowett that he would not have all the volume of IOS shares put on his account. The better part of a million shares had now been bought in.

Cornfeld eventually agreed to keep about 30,000 shares, whereupon large blocks had to be shifted to the Bahamian trusts set up for the Cowett and King families. These trusts financed their purchase with the aid of loans from that gallant but now wilting institution, the Overseas Development Bank (Bahamas). Altogether, Cowett borrowed $2.8 million to finance his family trust, and the King trust probably had rather more than $5 million by mid-February. (The King trust did a last burst of buying just before the collapse in April, which brought its loan up to $6.7 million.)

Whatever names originally footed the bill, all this money came in via credit from IOS banks. King and Cowett ended up with 600,000 common shares between them, but Cowett also wheeled out The IOS Stock Option Plan Ltd. which bought another 270,000 common shares of the parent company which owned but theoretically did not control it. These purchases cost the IOS treasury $3.75 million, taken in this case directly rather than via ODB credit. Cowett's share-buying program thus sucked back 900,000 shares out of the market, at a total cost of $12 million, which together with the Foundation purchase from the Investors Overseas Bank, meant that IOS Ltd. expended over $20 million on buying its own shares.

A point can be reached at the height of a speculative boom when transactions become so complicated that they baffle the very minds which devised them, so that men—and companies—end up swindling themselves. That point had now been reached: IOS was now supporting itself into a state of collapse.

Curiously enough Cowett's program was not the only case of IOS money going into its own shares. Late in 1969, an IOS director paid a visit to one of the IOS investment banks, the Investors Bank of Luxembourg. He suggested that IOS shares might be a good buy, and the bank, which had been dealing in them for its customers, now started buying them direct for itself. In this case, there was no stock-option plan to separate the Investors Bank from its parent. The buying was therefore simply illegal. But no one found out until 1970, when the value of IOS shares was largely hypothetical. Some $300,000 had to be written off.

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Presumably, Cowett must have hoped that if a bold front could only be maintained, IOS might yet declare those luscious profits that Bernie was predicting. Granted, anyone who could engineer the Arctic deal might reasonably assume that while confidence endured his ingenuity would be equal to any occasion. (Cowett and King were busily planning a whole new fund to be devoted to natural resources.) But even while the money was being poured out to buy IOS shares it was becoming less and less likely that IOS would be able to turn in anything other than notional profits for 1969.

Cornfeld, Cowett, Cantor, and several other IOS luminaries have consistently declared that they only discovered things were going wrong when it was too late. This, they say, was because the IOS financial system was archaic. It takes some nerve, after the corporate boasting they had done, to *excuse* oneself by saying that one was looking after $2 billion of other people's money with archaic accounting services. But it wasn't ever true. The IOS accounting services were competent enough to produce a weekly cash report which showed with fair clarity how fast the money was being siphoned off. Nobody, however, seems to have been much interested in these reports until the final process of revelation.

This occurred at two sets of IOS Board meetings. There was a traumatic but relatively orderly double session on the weekend of April 11–12. This was followed by a strident, frequently comic, sometimes bitterly emotional set of meetings running from May 3 to May 9, 1970, which brought the regime of Bernie and Ed effectively to an end.

As New Year 1970 began, a process of revolt was under way inside the empire, confined at first within the IOS bureaucracy. As the scope of its operations expanded, IOS had inevitably acquired a force of professional accountants and investment managers to conduct its routine affairs. It was not intended that they, any more than the distinguished outsiders on the board, should share any part of the real power residing in the "troika" of Cornfeld, Cowett, and Cantor. None of these professionals possessed the emotional subtlety of Cornfeld, the hectic intellectual brilliance of Cowett, or even the superlatively pompous presence of Cantor (who, with his beard and pipe, looks like some infinitely reassuring Polar explorer turned businessman). But many were men of ability, and some of them retained throughout their sense of underlying reality.

Jo Melse, the Dutchman who managed the non-American investments of IIT, forced the first confrontation. In December 1969 he became desperately worried at the mass of conglomerate bond issues like Giffen Industries, Gulf & Western, and Commonwealth United which IIT had bought up

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after the "investment-banking" operations of Cowett and Barry Sterling.* Mel Rosen, Cowett's new lieutenant, was handling most of this investment, and Melse demanded an interview with Cowett to ask for more information about why it was happening. Melse spent two hours in Cowett's office, but as Cowett was on the telephone for all but fifteen minutes, Melse learned very little. Furious—and he is a powerful man, some six feet six inches tall—he stormed in to see Cornfeld at home in the Villa Elma, and threatened to resign: Cornfeld, pacifically, promised that Melse should become President of IIT, with overall control of investments. Although this came too late to protect IIT from serious damage, there was now some institutional barrier between Cowett and IOS's biggest fund.

The Treasurer of IOS was a young American accountant named Melvin Lechner, who had come from the auditors, Arthur Andersen & Co. Lechner was enough of a believer in IOS to have bought IOS stock heavily with borrowed money: but by January 1969 any hopes he entertained as a stockholder were being rapidly contradicted by his professional knowledge as an accountant. "On the day before we received the proceeds of the public offer in October," he told us, "we had in effect a cash position of $1 million for IOS Ltd. During the entire period of October you didn't have to be a blooming genius to see the cash position going down. The reaction of people in management was that the cash reports were wrong."

After the public offer, in fact, all but a few people in IOS followed Cornfeld's example, and took time out to luxuriate in the future. Allen Cantor's sales company had brought $135 million into the IOS funds during July, the high-point month of 1969—and Cantor claimed earnestly to us that he had not the slightest idea that the sales company could have been making a loss on its operations at the time. By Christmas 1969, Cantor and his salesmen were predicting that their sales for 1970 would reach $4,500,000,000 in terms of "face value." The vast sales, although generating a golden shower of commissions, were destroying profits, because cash sales were actually becoming a smaller proportion of the face volume. Commissions were calculated on the face volume, and the override burden was becoming heavier all the time as more and more men became Super-GMs.**

In January, while the 1969 profits were still being computed, Mel Lechner wrote a four-page memo to Cowett which he said was intended as a diplomatically phrased warning that profits would be "lower than we have been talking about." Cowett, having returned from his holiday in Acapulco, received this warning with equanimity. He was contemplating the one

* See Chapter 17, "The Master Financiers."
** See Chapter 18, "A Very Long Way Offshore."

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important piece of expansion that was actually mounted with IOS's new capital. This was the purchase of the Canadian Channing fund group. Effectively, it was Ed's last deal.

To assume the management of the three Channing funds and become the biggest fund operator in Canada, IOS paid $7 million cash. But then Cowett did a very odd thing. He caused IOS Ltd. to switch the ownership of Channing to IOS's own subsidiary, IOS Management—the entity which IOS floated off before going public itself, and which drew its income from fees on the proprietary funds. In payment for Channing IOS Ltd. received 400,000 shares of IOS Management, and the funny thing about this was that on the ruling market price, 400,000 Management shares were worth $14 million. It was a deadly error: market operators instantly assumed that IOS itself thought that IOS Management was overpriced, and therefore that income from the funds was falling.

On February 4, Cornfeld informed the admiring institutional investors of New York that IOS was "experiencing a net cash flow of over $100 million a month," and, having accused the SEC of plotting the overthrow of the stock market, departed for Acapulco with Hugh Hefner and a team of bunnies. Seven days later, Mel Lechner and his staff finished their preliminary computation of the 1969 profit. As we have seen, it was not $30 million or even $25 million; it was $17.9 million.

Nobody then knew that closer examination would bring that figure down to $10.2 million—meaning that without the performance fee on the Artes deal IOS would have made virtually nothing. But the figure Lechner had in terms of the current IOS share price, was disaster enough: he took it at once to Cowett's executive assistant, an ex-State Department man named Hal Vaughan. It was Wednesday, February 11, and Cowett was in Tehran looking into a real-estate fund project. Together, Lechner and Vaughan put in a call to Cowett and gave him the figure over the phone. He said coolly, that he would fly back to Geneva, and that Lechner should come to his villa on the following Sunday with the papers.

The Sunday meeting precipitated an almost continuous round of meetings between Cowett, Cantor, Vaughan, Norman Rolnick (Controller of IOS), George Landau, now in charge of administration, and Lechner and his accountants. By the end of February the accountants were able to predict, correctly, that IOS was going to lose money in the first quarter of 1970. And at the same time, it was impossible not to see that sales operations were in the red. Allen Cantor concedes that in February he began to get a little worried. Cowett's version is that there was a conference, at which Cantor reported that sales were 17 per cent higher than in February 1969, and

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to be told brutally by one of his own executives, "Shit, Allen. That's face volume. Cash sales are down 40 per cent."

Yet the "winter series" of board meetings, beginning on March 9 and ending on March 13, passed off, ostensibly, in peace and harmony. Cowett, to Lechner's amazement, told the IOS Board that profits for 1969 would be $25 million—and when Lechner asked, afterward, why he had not given the $17.9 figure Cowett said blandly, "Those were preliminary figures. Right, Mel?" There were two main items on the agenda for these meetings. The first was to approve "aggregate investment of $44 million of company money" during 1970. The directors did not commit themselves to "any specific projects," which was wise, because by this time a 44¢ expansion would have taxed the corporate treasury. Second, the directors conferred promotions upon some of their number.

Cornfeld remained Chairman of the Board, but Cowett took over from him as President of IOS, and Allen Cantor became Vice Chairman. Eli Wallitt was elected Executive Vice President, and James Roosevelt Senior Vice President. Ossie Nedoluha and Malcolm Fox, from Hong Kong, joined the main IOS Board. This, said Cornfeld, "realigned corporate titles to clarify . . . actual responsibilities." What it really showed was that unease was spreading among the directors, beginning to take the form of personal dissatisfaction with Cornfeld.

It was not just his penchant for bell-bottom trousers and the beard that he had been sprouting since the previous year. Cornfeld was now frequently absent from Geneva, and was increasingly less effective in his once-crucial role of inspiring the salesmen. Late in 1969, for instance, he missed an important meeting which was designed to boost morale in Germany, and instead of the magic presence, the Germans had to make do with an hour's talk about boutiques and other investments, amplified from the transatlantic telephone. In January, Cornfeld was diverted by a CBS project to make a TV documentary about his life: much energy went into mounting an eighty-first birthday party for Sophie Cornfeld, which was filmed by CBS at the Villa Elma. Such was Cornfeld's obsession with the movie that Sir Eric Wyndham White, who was threatening to resign because of the difficulty of discovering what was happening inside IOS, found himself discussing his resignation in front of the CBS cameras. Granted, all this was eccentric behavior in the President of a financial institution. But it was ironic that the directors should have chosen to augment Ed Cowett's authority as a means of curing the ills of IOS.

Cowett's own eccentricities were not to be hidden. The original agent of revelation was Professor George von Peterffy, one of the more colorful

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members of the faculty of the Harvard Business School. The professor joined the IOS Board in September 1969, having decided to spend a year developing his interests outside Harvard. Von Peterffy is not the cloistered kind of academic. He is a powerful young man, standing around six-four. He was to cause some consternation at one tense board meeting by telling Cowett that he had a gun with him—having just returned from the Middle East where, he felt, it was *de rigueur* to carry side arms. Nevertheless, he was distinctly unhappy about IOS by the beginning of 1970: apart from anything else, he did not care for the fact that part of the Italian operation still appeared to be illegal.

Late in February, Cowett admitted to von Peterffy that the 1969 profits would not match the prophesies, and after the March board meetings, he gave von Peterffy, together with a small group of executives, the task of examining IOS's profitability. The history of von Peterffy's exercise suggests that Cowett did not mean it to make any significant discoveries, but that by this stage the pressures inside the much-abused professional bureaucracy were at bursting point.

Lechner declares that as Treasurer of IOS he received no details of ODB loans, and that the ODB manager Phil Doubre had strict instructions to respect Swiss bank secrecy. However, Lechner claims that in the last days of March he deduced the extent of the loans from the IOS cash position. In the first week of April, von Peterffy got down to his task, and on the 7th met with Lechner, who described the meeting in these terms:

> Von Peterffy turned to me and said, "What is the current cash position of the company? Give me a number. Is it $100 million? $20 million? $5 million?"
>
> I said, "George, I have not been authorized to make this information available. Talk to Ed. Get clearance."
>
> He blew up. He said, "This meeting is adjourned," and he stomped out of the door.

Then, says Lechner, it came to him four hours later that "maybe George is the guy to talk to. Maybe he can be the link." The Treasurer found von Peterffy in the office of a young IOS executive, Abe Carmel, who had been a student of von Peterffy's. "He wouldn't see me at first, he was so pissed off. I said to him, 'George, I have to talk to you—it's not only the cash position.' "

The Harvard Business School trains its sons well. Von Peterffy walked to the door, locked it, and said that no one was leaving the room until the truth was known. "I talked for three hours," Lechner recalled. "I explained

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to him about everything, including the banking transactions. He listened, sort of shocked and fascinated."

Lechner's disclosures burst upon an atmosphere which was thick with rumor. Henry Buhl told us that all through January he "kept hearing from Swiss bankers that we were lending people money to buy our own shares." Mel Rosen told Jo Melse that he was having to buy wads of IOS shares—for purchasers whose identity he didn't know. And the boasts about "expansion" had dismayed the accountants at Ferney, who knew enough to know that IOS could not conceivably find $44 million for expansion.

But whatever financial links existed in the mind of Ed Cowett, the clandestine tradition of IOS had divided the company into a series of separate compartments. A great many people knew that particular things were going wrong. "But what could you do?" said one of Lechner's assistants. "Ed Cowett was the guy running the company. Suppose you went to him. You know the bit in the Western, where the guy goes in to tell the sheriff that the baddies are in town? And while the guy's talking, you see the sheriff opening the desk drawer with the gun in it—because the sheriff's the chief of the baddies?"

Lechner had now bypassed the "sheriff." The train of events he set in motion was later dubbed "the Apocalypse" by the *IOS Bulletin*. It was a suitable title, the Apocalypse being "the revelation of that which hath been hid." The Four Horsemen, in this case, were von Peterffy, C. Henry Buhl III, Richard M. Hammerman, and Sir Eric Wyndham White.

After his session with Lechner on Tuesday, April 7, von Peterffy talked urgently with Henry Buhl. Buhl says that although he had not seen the weekly cash reports, he had already heard some disturbing whispers from the accountants. Next Friday, April 10, a meeting of the Executive Committee of the IOS Board was due: Buhl decided that a secret cabal must meet first. He spoke to Sir Eric Wyndham White, who promised support. Next, Buhl called Hammerman at the London office, and asked him to arrive quietly the day before the Executive Committee meeting was due. Then, on Thursday, April 9, the Four Horsemen met Lechner: not at 119 Rue de Lausanne, but privately in another set of IOS offices at number 147. Lechner said that if they promised to defend his right to speak, he had "a lot to say."

In other words, it was necessary to mount an intrigue before the company's cash position could be discussed by its own directors.

At three thirty the next afternoon, the Executive Committee met, with Cornfeld in the chair. The scene was Ambassador Roosevelt's office, draped with a large Stars and Stripes. Buhl's horsemen were all there,

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and so were Cowett and Cantor together with Roosevelt, Ed Coughlin, Wallitt, and a few others. Lechner was ready with "twenty copies of everything."

After half an hour, Cornfeld turned to Lechner and said, "What is your cash position?"

Lechner took out a five-page report.

Cornfeld said, "Just give me a number!"

Buhl and von Peterffy said together, "Let Mel speak!"

And then Allen Cantor weighed in with, "Let's get this on the table."

So Lechner spoke, for the next six hours. "I went all through the loans," recalled Lechner, "the integrity gap. I pointed out that Cowett had been talking about $25-million profits, when the goddam number was $17½ million. Cowett spoke from time to time, sinking lower in his chair. They tried to shut me up at first, but I wouldn't let them. That was my day in court."

It was an unnerving set of sums that faced the Executive Committee. For in the six months since the public offer all the $52.4 million raised in the public offer, and more, had been spent. This must set some sort of record for commercial profligacy.

What follows is as close as we can get, from the weekly and monthly cash statements, checked with interviews, to the financial facts which emerged at the Executive Committee meeting. (The proviso should be made that in the shock and confusion of that Friday night, not all the details were clearly grasped.)

There was, first of all, the money which had been spent to buy shares of IOS Ltd. and IOS Management:

	Millions of dollars
Loan to stock-option plan to buy 834,000 shares of IOS Ltd.	8.3
Cowett trust loan to buy IOS Ltd. stock	2.8
King trust loan to buy IOS Ltd. stock (just increased)	6.7
To stock-option plan for 270,000 shares of IOS Ltd.	3.7
Buying IOS Management stock	3.2

There were some transactions which would be put in a more orthodox light although they consisted largely of much-needed additions to the capital of the sorely tried IOS banks:

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	Millions of dollars
New offices, etc.	2.5
Increase in capital for ODB	2.3
Increase in capital of Orbis Bank (Germany)	1.5

There was the money paid over to keep Commonwealth United going, and to buy the Canadian fund group in February (which eventually made a loss).

	Millions of dollars
Loans to Commonwealth United	8.0
Purchase of Canadian Channing	7.0

There was then a disturbing batch of personal loans to IOS insiders, or to their tax-avoidance vehicles, and loans to King personally, besides those to companies and connections of King's. Also Bernie had decided that he would like to have a BAC 1–11 airliner fitted out to rival Hugh Hefner's Douglas DC–9—the all-black Big Bunny—and this cost was being guaranteed by the ODB:

	in millions of dollars
Loan to John King personally (apart from family trust loans)	2.0
Loans to Beta Foundation Equipment Associates, NOPI purchase, and three Jetstreams	8.3
ODB guarantee on purchase of aircraft by Bernard Cornfeld	4.9
Loan to Colorado Corporation	1.7
Loan to William White (a Denver business associate of King's and a Midbar investor)	1.6
Loan to David Meid (Venture Fund Manager)	0.2
Loans to IOS Associates and employees	3.3
Loans to officers and directors of IOS, other than already noted	3.4
Other guarantees	3.3
Grand total of transactions.	75.0

The members of the Executive Committee were as shocked and fascinated as von Peterffy had been in the first place. Cornfeld himself proclaimed throughout that he had been ignorant of the havoc wrought. "I

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apologize, Mel," he muttered, more than once. "I just didn't know." Some of those present, like Wallitt and Hammerman, must at least have known that Cowett had been organizing loans for their tax-avoidance projects. Others had had their suspicions. But perhaps even Cowett himself had never looked, until then, at anything like the whole picture. For the Executive Committee, the experience was akin to the one suffered by Dorian Gray when he uncovered his own portrait after years of self-indulgence. The stunned gathering did not break up until ten-thirty p.m. By that time most of them realized that IOS could scarcely survive unless outside help could be found. It is the memory of Eli Wallitt that supplies the apt phrase. "We realized," he said, "that we had all been blinded by greed."

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HOWARD BERSCH,

Plaintiff,

-against-

DREXEL FIRESTONE, INC., et al.,

Defendants.

71 Civ. 5373

AFFIDAVIT

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

Jewel H. Bjork, being duly sworn, deposes and says:

I am of counsel to the law firm of Silverman & Haznes, attorneys for the plaintiff in the above-entitled action. I submit this affidavit in support of plaintiff's motion for an order pursuant to Rule 23(c) of the Federal Rules of Civil Procedure, declaring that this action, commenced as a class suit, can be maintained as such.

After the commencement of this action, I was informed by an article in The Wall Street Journal that a group of 70 former ICS employees who, like plaintiff, were purchasers of ICS stock at the public offering, had commenced an action in Geneva, Switzerland. In an attempt to acquaint myself with the nature and extent of related pending litigation I made inquiry and determined that these persons were represented by Antoine Hafner of 6 Rue Bellot, Geneva, Switzerland. Mr. Hafner was contacted and he furnished me with a copy of the Swiss complaint, which is attached, together with its

Exh. E

English translation, as Exhibit A to this affidavit. This translation was prepared under my direction for purposes of comparison only by Curtis LeSage, an employee of and translator for Larousse & Co., Inc., 572 Fifth Avenue, New York, N.Y. Copies of Mr. Hafner's related letters indicating his interest in our proceeding are also attached.

Arrangements were made for me to meet with Mr. Hafner to discuss his case in order to determine whether any conflict existed between that action and the one herein and to see if we might be of mutual assistance. Prior to my meeting with Mr. Hafner, a copy of the complaint in this action was furnished to him.

On February 14, 1972, I met with Mr. Hafner at his offices in Geneva, Switzerland. During the course of the meeting he explained the nature of the Swiss proceeding. He informed me that it was a criminal action against the directors of ICS who had served on its Board just prior to the public offering. The complaint alleges criminal fraud and is based upon the same false prospectuses set forth in our proceeding. Mr. Hafner explained that a conviction could involve a fine, imprisonment or possible reparation, but that at the present stage of the action there was no way of knowing whether any damages would actually be sought. He stated that all of the persons named in his action who had been living in Switzerland had fled the jurisdiction and had returned to the United States. He felt that this was a result of their fear of a Swiss indictment and was quite

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certain that they would, for the purposes of the Swiss authorities, take the position that the fraudulent acts occurred elsewhere. I have been further informed through his office that testimony has been given in the Swiss action by an employee of defendant Arthur Andersen & Company to the effect that the accounting work and other matters pertaining to the preparation of the prospectuses were done in New York.

All of the defendants in the Swiss proceeding (with the exception of Bernard Cornfeld) are different from those served in this action. Mr. Hafner stated that in his opinion the Swiss authorities were not competent to try the underwriter and accountants who are the principal defendants in our action, not only on the ground that their courts lacked in personam jurisdiction, but also on the ground that under Swiss law there was no theory under which they could be held responsible.

He also stated that there were no other actions pending regarding this claim, and that under Swiss law a class action was unknown. Furthermore, since Swiss attorneys are prohibited from taking matters on a contingent fee basis, it was unlikely that any other actions would be brought. He doubted whether there was any purchaser of IOS stock whose interest in suing for damages was sufficiently large to cause him to engage a Swiss attorney in the light of the expenses of litigation. Mr. Hafner stated that he and his clients welcomed our action and looked forward to cooperating with us in rectifying the wrongs that had damaged the stockholders of IOS.

Jewel H. Bjork

Sworn to before me this
7th day of April, 1972.

Gladys R. Foster
GLADYS A. FOSTER

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ÉTUDE DE
MMES PIERRE AUDEOUD & CLAUDE GAUTIER
AVOCATS AU BARREAU DE GENÈVE

26, RUE DE CANDOLLE

TÉLÉPHONE { 25 32 51 / 20 13 11

CHÈQUES POSTAUX { Me AUDEOUD 12-7725 / Me GAUTIER 12-4289

1205 GENÈVE, LE April 11, 1974

Mr SILVERMANN
1 Rockefeller Plaza

NEW YORK 10 021
USA

Dear Mr. Silvermann,

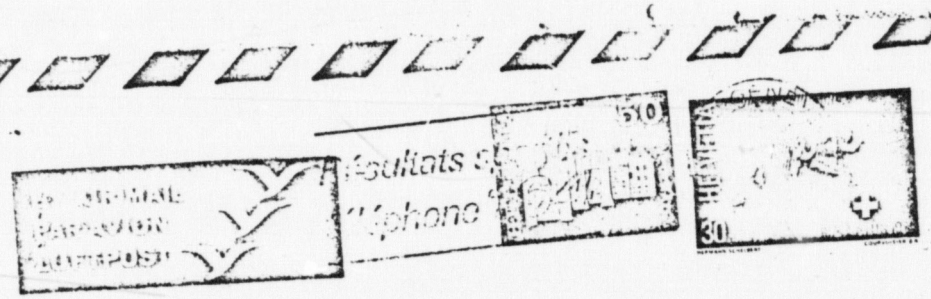
In recollection of our meeting in september 1973 with Mr Hafner, the class action suit you brought before the New York District Court concerning the 1969 issuing of IOS Ltd shares was discussed.

As I told you I am representing many clients who bought IOS Lte shares in september 1969. I would appreciate you telling me what is the current legal situation.

Please let me know if you are also in a position to represent my clients in this action. I would be glad to send you more information if you need it.

Sincerely yours

Claude GAUTIER, avocat



Mr. SILVERMANN
1 Rockefeller Plaza

NEW YORK 10 021

USA

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Answer of JH Crang and Co dated
February 28, 1972

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HOWARD BERSCH, Plaintiff, -against- DREXEL FIRESTONE, INC., et al., Defendants.	Index No. 71 Civ. 5373 ANSWER

Defendant J. H. Crang & Co., Ltd., by its attorneys Willkie Farr & Gallagher, for its answer to the Complaint herein,

1. Denies each and every allegation contained in paragraph 1 of the Complaint.

2.(a)(i) Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 2(a)(i) of the Complaint except admits that in September, 1969, J. H. Crang & Co., Ltd. offered and sold 1,450,000 Common Shares issued by I.O.S., Ltd. to foreign nationals.

2.(a)(ii) Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 2(a)(ii) of the Complaint.

2.(b) Denies each and every allegation contained in paragraph 2(b) of the Complaint.

2.(c) Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 2(c) of the Complaint and each and every subdivision thereof, except admits that it acted as the underwriter of 1,450,000 Common Shares issued by I.O.S., Ltd., that I.O.S., Ltd. sold 5,600,000 Common Shares to certain underwriters and that Investors Overseas Bank Ltd. offered 3,942,000 Common Shares issued by I.O.S., Ltd.

2.(d) Denies each and every allegation contained in paragraph 2(d) of the Complaint.

2.(e) Denies each and every allegation contained in paragraph 2(e) of the Complaint.

2.(f) Denies each and every allegation contained in paragraph 2(f) of the Complaint, except denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in part (ii) thereof.

2.(g) Denies each and every allegation contained in paragraph 2(g) of the Complaint.

3.(a) Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 3(a) of the Complaint.

3.(b) Denies knowledge or information thereof sufficient to form a belief as to the truth of each and

every allegation contained in paragraph 3.(b) of the Complaint.

3.(c) Denies each and every allegation contained in paragraph 3.(c) of the Complaint, except admits that J. H. Crang & Co., Ltd. is a broker-dealer registered with various Canadian securities commissions and has its principal place of business in Toronto, Canada.

3.(d) Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 3.(d) of the Complaint, except admits that Arthur Andersen & Co. is an international firm of accountants.

3.(e) Denies each and every allegation contained in paragraph 3.(e) of the Complaint, except admits that I.O.S., Ltd. acquired substantially all of the assets of I.O.S., Ltd. (S.A.) in June 1969.

3.(f) Denies each and every allegation contained in paragraph 3.(f) of the Complaint, except admits that in September 1969, Bernard Cornfeld was the President, Chairman of the Board of Directors and largest shareholder of I.O.S., Ltd.

4. Denies each and every allegation contained in paragraph 4 of the Complaint, except admits that in September 1969 certain shareholders of I.O.S., Ltd. sold Common Shares issued by I.O.S., Ltd.

5. Denies each and every allegation contained in paragraph 5 of the Complaint.

6. Denies each and every allegation contained in paragraph 6 of the Complaint, except denies knowledge or information thereof sufficient to form a belief as to whether 3,000,000 shares were sold in Canada in September, 1969.

7. Denies each and every allegation contained in paragraph 7 of the Complaint, except admits that the 1,450,000 Common Shares of I.O.S., Ltd. underwritten by J. H. Crang & Co. were offered at a price of $10.80 per share (Canadian).

8. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 8 of the Complaint.

9. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 9 of the Complaint, except denies each and every allegation contained therein as they apply or refer to J. H. Crang & Co., Ltd.

10. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 10 of the Complaint, and each and every subdivision thereof.

11. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 11 of the Complaint, except denies each and every allegation contained therein as they apply or refer to J. H. Crang & Co., Ltd.

12. Denies each and every allegation contained in paragraph 12 of the Complaint, and each and every subdivision thereof, except denies knowledge or information sufficient to form a belief as to the truth of the allegation that underwriters other than J. H. Crang & Co., Ltd. disseminated prospectuses through the United States mails and other means and instrumentalities of interstate commerce.

13. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 13 of the Complaint, except denies each and every allegation contained therein as they apply or refer to J. H. Crang & Co., Ltd.

14. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 14 of the Complaint, and each and every subdivision thereof.

15. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 15 of the Complaint.

16. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 16 of the Complaint.

17. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 17 of the Complaint.

18. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and

every allegation contained in paragraph 18 of the Complaint and each and every subdivision thereof, except denies the allegations contained therein as they apply or refer to J. H. Crang & Co., Ltd.

19. Denies knowledge or information thereof sufficient to form a belief as to the truth of each and every allegation contained in paragraph 19 of the Complaint.

FOR A FIRST, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

20. The Complaint fails to state a claim against J. H. Crang & Co., Ltd. upon which relief may be granted.

FOR A SECOND, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

21. This Court lacks jurisdiction over the person of J. H. Crang & Co., Ltd.

FOR A THIRD, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

22. This Court lacks jurisdiction over the subject matter of this action.

FOR A FOURTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

23. The Southern District of New York is an inconvenient for

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FOR A FIFTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

24. J. H. Crang & Co., Ltd. transacts a business in securities without the United States. The acts alleged were part of that business. Pursuant to Section 30(b) of the Securities Exchange Act (Tit. 15 U.S.C. §78(dd)b), this Court lacks jurisdiction over the subject matter of this action.

FOR A SIXTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

25. No act or transaction constituting the purported violation alleged in the Complaint occurred in the Southern District of New York. J. H. Crang & Co., Ltd. neither is found nor transacts business in the Southern District of New York; no shares offered by the prospectus it signed were offered or sold in the Southern District of New York; it did not offer, sell or participate in an offer or sale of Common Shares issued by I.O.S., Ltd. in the Southern District of New York. This Court lacks venue with respect to this action.

FOR A SEVENTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

26. The claims alleged in the Complaint, in whole or in part, did not accrue within the applicable period of the statute or statutes of limitations and are barred.

FOR AN EIGHTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

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27. The claims alleged in the Complaint, in whole or in part, are barred by plaintiff's laches.

FOR A NINTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

28. Plaintiff was employed by a company affiliated with I.O.S., Ltd. and had knowledge of all of the facts alleged in the Complaint including paragraphs 10, 12 and 14. He is therefore estopped and precluded from bringing this action.

FOR A TENTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

29. To the extent that the matters alleged in the Complaint are proved, defendant J. H. Crang & Co., Ltd. at the time of the offering alleged in the complaint did not know, and in the exercise of reasonable care could not have known, of any untrue statements of material facts or material omissions.

FOR AN ELEVENTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

30. To the extent any of the matters alleged in the Complaint are proved, defendant J. H. Crang & Co., Ltd. had, after reasonable investigation, reasonable ground to believe and did believe that at the time of the offering alleged in the Complaint that all statements made by it were true and that there was no omission to state a material fact required to be made or necessary to make the statements made not misleading.

FOR A TWELFTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

31. To the extent that any of the matters alleged in the Complaint to be untrue statements of material facts or material omissions are found to be such and were made on the authority of an expert, defendant J. H. Crang & Co., Ltd. had no reasonable ground to believe and did not believe, at the time of the offering, that the statements made were untrue or that there was an omission to state a material fact required to be stated or necessary to make the statements made not misleading or did not fairly represent the statement of the expert or was not a fair copy of an extract from the report or valuation of the expert.

FOR A THIRTEENTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

32. To the extent that any of the matters alleged in the Complaint are proved, plaintiff and the members of any purported class allegedly represented by plaintiff all knew, or in the exercise of reasonable care should have known, of any untrue statements of material facts or material omissions.

FOR A FOURTEENTH, SEPARATE AND AFFIRMATIVE DEFENSE TO THE COMPLAINT, DEFENDANT J. H. CRANG & CO., LTD. ALLEGES:

33. To the extent that any of the matters alleged in the Complaint are proved, all of the damages allegedly incurred by plaintiff and by the members of any purported class allegedly represented by plaintiff represents other

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than the depreciation in value of their securities resulting from such alleged untruths or omissions.

WHEREFORE, defendant J. H. Crang & Co., Ltd. prays that judgment be entered against plaintiff and for defendant, together with the costs of this action and counsel fees, and for such other and further relief to defendant as the Court might deem just and proper.

Dated New York, New York
February 28, 1972

WILLKIE FARR & GALLAGHER

By _____
(A Member of the Firm)
Attorneys for Defendant
J. H. Crang & Co., Ltd.
1 Chase Manhattan Plaza
New York, New York 10005
248-1000

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Exhibit B [portion] to Affidavit of Murray J. Howe sworn to April 28, 1972

ROSS, STAMER, WOLF & HAFT
ATTORNEYS AT LAW
122 EAST 42nd STREET • NEW YORK, N.Y. 10017

TELEPHONE: TN 7-2121
CABLE: LEGISTROSS NEWYORK

MALONEY, ROSS & PHELPS
COUNSEL

April 17, 1967

Securities and Exchange Commission
500 North Capitol Street
Washington, D. C. 20549

Attention: Irving M. Pollack, Esq.
Director, Division of Trading and Markets
Solomon Freedman, Esq.
Director, Division of Corporate Regulation
Philip A. Loomis, Jr., Esq.
General Counsel

Re: I.O.S., Ltd. (S.A.)

Gentlemen:

We refer to the proposed Stipulation of IOS, et al., relating to settlement of the broker-dealer proceeding (No. 3-497). Paragraph "1" of the Stipulation provides, in substance, that IOS and other persons referred to therein "shall conduct no activities, except as otherwise provided herein, subject to the jurisdiction of the Commission."

IOS is of the view that the procedures and mechanics set forth below with respect to: (i) the purchase of registered investment company securities; (ii) the purchase of registered investment plans for the accumulation of such securities; (iii) the purchase of portfolio securities; and (iv) other matters, are in compliance with the above-quoted paragraph "1" of the Stipulation, and if the Commission accepts the Stipulation, will be in compliance with the Order of the Commission adopting the same paragraph. The purpose of this letter is to obtain the concurrence of the staff with this view, and an acknowledgment by the staff that if the procedures and mechanics set forth below are utilized by IOS (and the other persons referred to), such use will be deemed in compliance with the Stipulation and Order.

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I.

Purchase of Portfolio Securities for Investment Companies Affiliated with IOS

All transactions with respect to portfolio securities on behalf of FOF, IIT and The York Fund, Inc., The Alger Fund, The Douglas Fund, Inc., Financial Institutions Growth Stock Fund, Inc. and Computer Directions Fund, Inc., or any affiliate of (as specifically defined for the purposes of the Stipulation and Order) or any subsidiary of IOS or the foregoing persons, which are subject to the jurisdiction of the Commission, will be effected by an unaffiliated broker-dealer or unaffiliated bank through a branch or principal office maintained outside the United States.

II.

Purchase from United States Program Sponsors or Underwriters of Registered Investment Company Securities for Direct Sale to Customers or for Accumulation under the IOS Investment Program or for Accumulation under a Registered Contractual or Fully-Paid Plan.

With respect to all purchases from program sponsors or underwriters in the United States, except those represented by the Agent under "III" hereof, purchases will be made through an unaffiliated broker-dealer or unaffiliated bank in a branch or principal office maintained outside of the United States. In connection with such purchases, IOS will seek to obtain the full dealer's discount (or as close to the full dealer's discount as it is able to negotiate) with respect to each such transaction. If any unaffiliated United States program sponsor or underwriter establishes a foreign office, IOS may purchase directly from the foreign office.

III.

Purchase from those United States Program Sponsors or Underwriters who are Represented by the Agent, of Registered Investment Company Securities for Direct Sale to Customers or for Accumulation under the IOS Investment Program or for Accumulation under a Registered Contractual or Fully-Paid Plan.

1. Certain program sponsors (or underwriters), including those of Fund of America, Dreyfus and RIC, may hereafter appoint an established and unaffiliated registered broker-dealer, which is a member of the New York Stock Exchange (hereinafter the "Agent"), as their agent in Geneva, Switzerland or other place outside of the United States, for the sale of shares of registered investment companies and contractual programs and fully-paid programs for the accumulation of such shares issued by the foregoing investment companies.

2. The Agent will maintain an office in Geneva or elsewhere outside of the United States, with one or more registered representatives.

3. IOS sales representatives will solicit only foreign nationals only outside the jurisdiction of the United States for the purchase of such programs.

4. The investor will execute a program application which will be forwarded (together with the investor's payment drawn to the order of the appropriate United States custodian bank) to IOS in Geneva for review and processing.

5. The program application, after review by IOS, will be transmitted in Switzerland by IOS to the Agent. The Agent thereupon will forward the program application and payment to the program sponsor in the United States.

6. The program sponsor will confirm the investment directly to the investor and will forward a copy of the confirmation to the Agent for transmission to IOS.

7. The commission payable to the order of IOS will be sent by the program sponsor to the Agent for transmission to IOS on the initial and subsequent investments made by the investor.

8. The investor will forward all payments subsequent to the initial payment directly to the program sponsor or custodian, and will receive on the occasion of each such payment, a confirmation mailed to him directly.

9. IOS will seek to obtain the full dealer's discount (or as close to the full dealer's discount as it is able to negotiate) with respect to each such sale.

10. With respect to any sponsor or underwriter who has appointed an Agent, IOS shall retain the right to maintain a direct contractual relationship and shall have the right to contact such sponsor or underwriter directly concerning terms of any existing contract, proposals for amending such contract and matters relating to the enforcement of such contract. IOS shall not, however, contact the sponsor or underwriter, except through the Agent, in any matter directly involving or incidental to any offering or sale of securities.

11. IOS will communicate with the Agent of the United States program sponsors in connection with problems which may arise involving investor accounts.

12. Compensation will be paid by the program sponsor to the Agent. It may be anticipated that such compensation will be on a flat annual fee basis, approximately $10,000 a year for each program sponsor.

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ROSS, STAMER, WOLF & HAFT

IV.

Purchases in Bulk

At the present time ICS funds the ICS Investment Program to accumulate Dreyfus and RIC shares on a daily basis by sending a telex message to the respective program sponsors in the United States for the purchase of that number of shares for which ICS has accumulated orders. Payment therefor is made by Swiss American Corporation in the United States for the account of ICS. ICS proposes in the future to order its daily requirements for funding through the Agent for telex transmission by the Agent to the particular investment company underwriter. Payment will be made by ICS by its deposit in Geneva, Switzerland of cash in the account of the Agent with Credit Suisse in Geneva, for transmission by Credit Suisse to its subsidiary, Swiss American Corporation in the United States, for payment by Swiss American Corporation directly to the custodian bank for the investment company in the United States.

V.

Direct Communication with United States Program Sponsors and Investment Company Underwriters.

ICS will communicate directly with program sponsors in the United States solely for the purpose of servicing existing accounts of ICS customers, and as set forth in paragraph "10" of "III" hereof.

We would appreciate receiving your response hereto as soon as practicable.

Very truly yours,

Robert J. Haft

RJH:fd

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF TRADING AND MARKETS

June 2, 1967

Robert J. Haft, Esq.
Ross, Stamer, Wolf & Haft
Attorneys At Law
122 East 42nd Street
New York, New York 10017

Re: In the Matter of I.O.S., Ltd. (S.A.) d/b/a Investors Overseas Services, et al.
(Administrative Proceeding 3-497)

Dear Mr. Haft:

By letter dated April 17, 1967, you described the manner in which IOS shall conduct its securities activities in conformity with the undertaking in Paragraph 1 of the Commission's Order Accepting Offer of Settlement dated May 23, 1967, which provides that IOS and other related persons "...shall conduct no activities subject to the jurisdiction of the Commission..." .

After review of your letter, the staff determined that the described procedures are in conformity with and if effected in the precise manner described are in compliance with the undertaking set forth in Paragraph 1 of the aforesaid Order.

It should be clearly understood, however, that the staff's position is based solely upon and is limited to the specific procedures and representations set forth in your April 17 letter and has no application to any facts or procedures other than those described in said letter.

Very truly yours,

Thomas W. Rae
Associate Director

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Exhibit C to Affidavit of Murray J Howe
sworn to April 28, 1972

J. H. Crang & Co.

MEMBERS
THE INVESTMENT DEALERS ASSOCIATION OF CANADA
PRINCIPAL CANADIAN STOCK EXCHANGES

PARTNERS

J. H. CRANG	E. D. SCOTT
D. A. FITZGERALD	M. J. HOWE
D. M. DUNLAP	PAUL ROBERT
F. V. McCANN	O. A. H. SIMS
J. BRADSHAW	P. C. D. BEST

G. C. DONLEY (LTD.)

CABLE ADDRESS "CRANGCO" TORONTO
TELEPHONE 363-8611
TELEX 02-2536

BROCKVILLE	NIAGARA FALLS	PETERBOROUGH
BURLINGTON	OAKVILLE	RICHMOND HILL
HAMILTON	OSHAWA	ST. CATHARINES
KINGSTON	OTTAWA	ST. THOMAS
KITCHENER	PEMBROKE	WELLAND
NEWMARKET		WOODSTOCK

Head Office
Twenty King Street West
Toronto 1

September 23, 1969

TO: Edward Cowett, Esq.

AND TO: I.O.S., Ltd.,
119 rue de Lausanne,
1211 Geneva, Switzerland.

Dear Sirs:

We understand that I.C.S., Ltd. (hereinafter called the "Company") is a public company incorporated under the laws of Canada by letters patent dated January 28, 1953 and that at the present time, the authorized capital of the Company is $56,250,000 (United States currency) divided into 75,000,000 Preferred Shares of the par value of 25¢ (United States currency) each (hereinafter called "Preferred Shares") and 150,000,000 Common Shares of the par value of 25¢ (United States currency) each (hereinafter called "Common Shares"). We further understand that 43,674,156 Preferred Shares (and no more) and 5,392,000 Common Shares (and no more) in the capital of the Company are now issued and outstanding as fully paid and non-assessable.

We also understand that, pursuant to authority conferred on Edward M. Cowett ("EMC") by powers of attorney (copies of which have been delivered to us) made in favour of EMC by the persons named in Schedule A hereto (hereinafter called

the "Selling Shareholders"), EMC, as agent of the Selling Shareholders, is willing to sell to us 1,300,000 issued and outstanding Common Shares in the capital of the Company beneficially owned by the Selling Shareholders. We confirm that we have agreed to buy and EMC, as agent of the Selling Shareholders, has agreed to sell to us the said 1,300,000 Common Shares at the price of $9.50 (United States currency) per share, all on the terms and conditions set out below.

1. TERMS AND CONDITIONS. Our obligation to take up and pay for the said 1,300,000 Common Shares is subject to fulfilment of and compliance with the following terms and conditions:

(a) On or before September 24, 1969, the Company shall have obtained from the Ontario Securities Commission and from all the corresponding authorities or commissions in the other Provinces of Canada receipts for a final prospectus (hereinafter called the "Prospectus") relating to the offering to the public in Canada of 1,450,000 Common Shares. The Prospectus shall contain such reports and financial statements and such other information as may be approved by our counsel as being in conformity with the requirements of The Securities Act, 1966 of Ontario and of the corresponding statutes of the other Provinces of Canada and the regulations thereunder and shall be in terms appropriate for our use in offering the Common Shares for sale to the public in Canada. The Prospectus shall

also describe the Preferred Shares and the Common Shares and shall contain full and accurate information as to the affairs of the Company and its subsidiaries. Delivery to us of the Prospectus shall constitute a representation and warranty by the Company to us that all the information and statements contained therein are true and correct and that the Prospectus complies with the requirements of the statutes above-mentioned and the regulations thereunder;

(b) On or before September 24, 1969, the Company shall have entered into an agreement (hereinafter called the "Drexel Agreement") under which the Company shall have agreed to issue and sell, and Drexel Harriman Ripley, Incorporated, on behalf of itself and the other Underwriters named in such agreement, shall have agreed to purchase, at the Time of Closing hereinafter referred to, 5,600,000 Common Shares in the capital of the Company at a price of $9.675 (United States currency) per share;

(c) On or before September 24, 1969, EMC, as agent of the Selling Shareholders, shall have entered into an agreement (hereinafter called the "IOB Agreement") under which Investors Overseas Bank Limited (hereinafter called "IOB") shall have agreed to sell, at the Time of Closing hereinafter referred to, as agent of the Selling Shareholders, 4,092,000 Common Shares in the capital of the Company at a price of $9.50 (United States currency) per share;

(d) If requested by us, the Company shall, on or before October 15, 1969, have filed with the Department of the Minister of Consumer and Corporate Affairs of Canada a copy, certified by an

officer of the Company, of

(i) the Prospectus referred to above, and

(ii) any prospectus or document of a similar nature relating to the offering of 5,600,000 Common Shares referred to in the Drexel Agreement if such prospectus or document was filed with a public authority of any foreign country in accordance with the requirements of the law thereof,

together with statements of the date and place of filing thereof;

(e) At the Time of Closing hereinafter referred to, we shall have received a favourable legal opinion from our counsel (who shall be entitled to rely upon the opinions of various counsel for the Company as to all or any of the matters mentioned below, which opinions such various counsel shall give if requested)

(i) as to the incorporation and organization of the Company;

(ii) as to the authorized share capital of the Company and that at the Time of Closing hereinafter referred to, the issued capital of the Company consists of 43,674,156 Preferred Shares (and no more) and

10,992,000 Common Shares (and no more);

(iii) that all the issued shares in the capital of the Company, including the 1,300,000 Common Shares hereby agreed to be purchased and sold, are outstanding as fully paid and non-assessable shares;

(iv) as to the form and terms of the definitive certificates for the Common Shares;

(v) that the sale by EMC, as agent of the Selling Shareholders, of the 1,300,000 Common Shares as herein provided does not and will not conflict with or result in a breach of any instrument or agreement to which the Selling Shareholders, the Company or any of them is a party;

(vi) that the sale by IOB, as agent of the Selling Shareholders, of the 4,092,000 Common Shares referred to in the IOB Agreement does not and will not conflict with or result in a breach of any instrument or agreement to which the

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J. H. Crang & Co.

Selling Shareholders, IOB or any of them is a party;

(vii) that the issue and sale of the 5,600,000 Common Shares referred to in the Drexel Agreement does not and will not conflict with or result in a breach of any of the terms, conditions or provisions of the letters patent incorporating the Company or any supplementary letters patent issued to the Company or the by-laws of the Company or any instrument or agreement to which the Company is then a party;

(viii) that the Company is not liable for the payment of any taxes on income or capital receipts to Canada or any political subdivision thereof;

(ix) that all filings and other steps required under all applicable laws including applicable laws of Canada and all the Provinces of Canada, have been duly made and taken to permit the offering of the 5,600,000 Common Shares referred to in the Drexel Agreement, the offering of

J. H. Craney & Co.

the 4,092,000 Common Shares referred to in the IOB Agreement and the offering of the 1,300,000 Common Shares referred to herein;

(x) that delivery to us by EMC of a certificate or certificates for the 1,300,000 Common Shares hereby agreed to be purchased and sold will, under applicable laws of Canada and the Province of Ontario, pass to us good and marketable title to such shares free from all liens, charges and encumbrances of which we do not have notice;

(xi) that this agreement has been duly authorized, executed and delivered by the Company on its own behalf and on behalf of the Selling Shareholders by EMC;

(xii) assuming due and valid execution of the aforesaid powers of attorney made in favour of EMC by each of the Selling Shareholders, that EMC has been duly authorized by each Selling Shareholder to sell and deliver Common Shares as agent and on behalf of

such Selling Shareholder in accordance with the terms of this agreement;

(xiii) as to all other legal details in any way connected with our purchase and offering of the said 1,300,000 Common Shares as herein provided;

(f) Prior to the close of business on the tenth business day following the date of the receipt obtained from the Ontario Securities Commission for the Prospectus as provided in paragraph (a) above, we shall not have given the Company written notice of the occurrence of an event or the development of a situation which in our opinion would make it inexpedient or inadvisable to offer or to continue to offer the said 1,300,000 Common Shares for sale to the public and we shall not have given the Company written notice that in our opinion market conditions are such that it would be inexpedient or inadvisable to offer or continue to offer the said 1,300,000 Common Shares for sale to the public;

(g) At the Time of Closing hereinafter referred to, the Company shall deliver to us a certificate signed by the Executive Vice-President of the Company to the effect that, to the best of his knowledge,

(i) the Prospectus for which a receipt is obtained from the Ontario Securities Commission as provided in paragraph (a) above does not

J. H. Crang & Co.

contain any untrue statement of any material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and

(ii) the representations and warranties of the Company hereinafter contained are true and correct in all material respects as at the Time of Closing hereinafter referred to;

(h) No order to cease trading in the primary distribution to the public of the Common Shares shall have been made prior to the Time of Closing hereinafter referred to by the Ontario Securities Commission or the corresponding authority or commission of in any other Province of Canada;

(i) At or prior to the Time of Closing, hereinafter referred to, the 5,600,000 Common Shares referred to in the Drexel Agreement shall have been taken up and paid for in accordance with the provisions of such agreement.

The Company and EMC agree that the foregoing conditions are to be complied with by the Company and EMC in so far as the same relate to acts to be performed or caused to be performed by the Company or EMC, that the Company and EMC will use their best efforts to comply with the said conditions or to cause the said conditions to be complied with and that in the event that any of

J. H. Crang & Co.

the said conditions are not complied with we may give notice to EMC as herein provided and in such event all our obligations hereunder shall be at an end. Notwithstanding the giving of such notice the expenses agreed to be paid by the Company and referred to in clause 8 hereof incurred up to the time of the giving of such notice shall be paid by the Company. It is understood that we may waive in whole or in part or extend the time for compliance with any of the foregoing conditions (a) to (i) inclusive without prejudice to our rights in respect of any other condition or conditions or any other or subsequent breach or non-compliance provided that any such waiver or extension shall be binding upon us only if the same is in writing.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company and EMC hereby represent and warrant as follows and acknowledge that our agreements herein contained are made in reliance on such representations and warranties:

(a) The Company and each of its subsidiaries has been duly incorporated and organized and is now, and at the Time of Closing hereinafter referred to will be, a validly existing corporation in good standing under the laws of the jurisdiction under which it has been incorporated and is now, and at the said Time of Closing will be, duly qualified to conduct its business and own the properties described in the Prospectus in each jurisdiction where its business is conducted or its properties are located;

J. H. Crump & Co.

(b) Except as reflected in or contemplated by the Prospectus, since the respective dates as of which information is therein given, there has been no change in the capitalization nor any material adverse change in the condition or general affairs of the Company and its subsidiaries, financial or otherwise, and neither the Company nor its subsidiaries have incurred any material obligation or indebtedness or entered into any material transaction otherwise than in the ordinary course of business and there has been no dividend or distribution declared and/or paid on any of the Company's shares;

(c) Except as set forth in the Prospectus, there is no action, suit or proceeding before any court or governmental agency or body pending or, to the knowledge of the Company threatened, which might result in judgments against the Company or any of its subsidiaries in excess of $30,000 in the aggregate which is not adequately covered by insurance, or which is pending, or, to the knowledge of the Company, threatened by any public body, agency or authority which in the judgment of the Company might result in any material adverse change in the condition (financial or otherwise), business or prospects of the Company or its subsidiaries or would materially affect their properties or assets;

(d) The Company and its subsidiaries have good and marketable title to all properties and assets described in the Prospectus as owned by them, free and clear of all liens, charges, encumbrances and restrictions, except such as are

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described in the Prospectus or are not materially significant or important in relation to the business of the Company;

(e) The consummation of the transactions herein contemplated and contemplated by the Drexel Agreement and the IOB Agreement and the fulfillment of the terms hereof or thereof will not result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, loan agreement, credit agreement, lease, mortgage, deed of trust or other agreement or instrument to which EMC, the Company or any of its subsidiaries is a party or by which they are bound, or their corporate charters or by-laws, or violate any law or any order, rule or regulation applicable to the Company or any of its subsidiaries of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction over the Company or any of its subsidiaries or over their properties; and

(f) Each of the Selling Shareholders has good and marketable title to the Common Shares to be sold by EMC hereunder as the agent of such Selling Shareholder free and clear of any security interest, claims, liens or encumbrances other than any required in order to consummate the sale thereof hereunder; each Selling Shareholder has duly authorized EMC as his agent and on his behalf to execute and deliver this agreement and to deliver the Common Shares to be sold by EMC hereunder as the agent of such Selling Shareholder; each Selling Shareholder has full legal right, power and authority to enter into

this agreement and has full legal right, power and authority to sell, assign, transfer and deliver to us in the manner provided herein the Common Shares to be sold by EMC hereunder as the agent of such Selling Shareholder; and upon delivery to us and payment for such Common Shares hereunder, we will acquire good and marketable title to such Common Shares free and clear of any security interest, claim, lien or encumbrance other than such as may result from our acts.

3. COVENANTS OF THE COMPANY. The Company hereby covenants and agrees with us as follows:

(a) The Company will use its best efforts to obtain the prompt listing of its Common Shares on the Amsterdam Stock Exchange, the Luxembourg Stock Exchange, the Montreal Stock Exchange and The Toronto Stock Exchange and will arrange to have its Common Shares called for trading on the Montreal Stock Exchange and The Toronto Stock Exchange at such time as we may specify after the expiration of the period of 90 days immediately following the completion of the primary distribution of the Company's Common Shares pursuant to this agreement, the Drexel Agreement and IOB Agreement;

(b) The Company will promptly notify us in writing with full particulars, of any change, actual, anticipated or threatened, during the period of the primary distribution to the public of the said 1,300,000 Common Shares in any material facts contained in any statement, financial statement or report comprised in the Prospectus which is or may be of such a nature as to render such statement, financial statement or

statement or report misleading and will file with reasonable promptitude any amended prospectus, financial statement or report (each of which shall first be submitted to our counsel for review and approval) without waiting for the expiration of any period prescribed by The Securities Act, 1966 of Ontario or the corresponding statute of any of the other Provinces of Canada or the regulations thereunder.

4. OUR COVENANTS. We hereby covenant and agree with the Company as follows:

(a) We will effect primary distribution of the Common Shares hereby agreed to be purchased and sold to the extent of 1,200,000 Common Shares in Canada and to the extent of 100,000 Common Shares in the Bahamas Islands through a banking group to be formed by us consisting of not less than 15 investment dealers;

(b) We will effect primary distribution of the said 1,300,000 Common Shares at the offering price to the public and on the several terms and conditions set forth in the Prospectus;

(c) We will use our best efforts to effect as wide a distribution as possible of the said 1,300,000 Common Shares and will use our best efforts to limit to one thousand (1,000) Common Shares the number of Common Shares that may be purchased, in the course of primary distribution, by any one person, firm or corporation;

(d) We will use our best efforts to restrict the sale of the said 1,300,000 Common Shares during the course of primary

J. H. Crang & Co.

distribution to persons other than citizens of the United States of America and other than persons who are executives, employees or sales associates of the Company and its subsidiaries or members of the families of such executives, employees and sales associates. For the purpose of this paragraph (d), members of an individual's family are his spouse, sons and daughters whether or not they live together.

5. PAYMENT FOR AND DELIVERY. Payment for the said Common Shares which we have agreed to purchase hereunder shall be made by certified or bank cheque or cheques in favour of EMC payable at par in London, England at the offices of The Bank of New York, 147, Leadenhall Street, London, E.C. 2, England at the hour of 3:00 o'clock in the afternoon (London time) on October 15, 1969 or at such other time on such other date as we and the Company may agree upon in writing (the time and date on which payment is actually made being herein called the "Time of Closing").

Delivery of certificates for the said 1,300,000 Common Shares shall be made to us at the Time of Closing at the offices of Montreal Trust Company, 15 King Street West, Toronto, Canada. Such certificates shall be in fully registered form and shall be in such names and for such numbers of shares as we shall specify by notice in writing given to the Company at least 5 days prior to the Time of Closing. Such certificates shall be available for examination by us at the said offices of Montreal Trust Company

J. H. Crang & Co.

during the 2 business days immediately preceding the Time of Closing.

6. INDEMNIFICATION. The Company hereby agrees, on its own behalf and on behalf of the Selling Shareholders, to indemnify us and save us harmless against

(a) all losses, claims, damages, liabilities and expenses caused by or arising out of any untrue statement contained in the Prospectus (as originally filed and as from time to time amended and/or supplemented) or the omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company by us expressly for use in connection with the preparation of the Prospectus;

(b) all losses, claims, damages, liabilities and expenses caused by or arising out of any prohibition or order against trading in or effecting primary distribution of the Common Shares or any of them ordered or made by the Ontario Securities Commission or the corresponding authority or commission in any other Province of Canada provided that such prohibition or order shall have been ordered or made wholly as a result of matters within the control of the Company;

(c) all losses, claims, damages, liabilities and expenses incurred by us in settlement of any litigation, commenced or threatened, or of any claim whatsoever based upon any untrue

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statement, omission, prohibition or order of the type referred to in paragraphs (a) and (b) above, if such settlement is effected with the written approval of the Company;

(d) against all expenses whatsoever reasonably incurred in investigating, preparing for or defending against any litigation, commenced or threatened, or any claim whatsoever based upon any actual or alleged untrue statement or omission of the type referred to in paragraph (a) above or any prohibition or order of the type referred to in paragraph (b) above.

In no case shall the Company be liable under this indemnity agreement with respect to any claim made against us

(i) which arises out of or is based on any untrue statement or omission or any such alleged untrue statement or omission in any preliminary prospectus, if Common Shares in respect of which any loss, expense, claim, damage or liability is asserted shall have been delivered after sale without being accompanied or preceded by a Prospectus which corrects such untrue statement or omission and

(ii) unless we shall have notified the Company in writing promptly after the summons or other first legal process shall have been served upon us giving information of the nature

J. H. Crang & Co.

of the claim, but failure so to notify the Company shall not relieve it from any liability which it may have otherwise than hereunder.

The Company shall be entitled to participate at its own expense in the defense, or if it so elects within a reasonable time after receipt of such notice, to assume the defense, of any suit brought to enforce any such claim, but if the Company elects to assume the defense, such defense shall be conducted by counsel chosen by it and satisfactory to us in any suit so brought. The indemnification agreement contained herein shall remain operative and in full force and effect regardless of any investigation made by us or on our behalf and shall survive delivery of the 1,300,000 Common Shares hereby agreed to be purchased and sold. The Company agrees promptly to notify us of the assertion of any claim or commencement of any litigation or proceedings against it or any of its officers or directors in connection with the issue and sale of the said 1,300,000 Common Shares.

We hereby agree to indemnify and hold harmless EMC, the Company, each of the Selling Shareholders and each director and officer of the Company against all losses, claims, damages or liabilities (including, unless we elect to assume the defense, the reasonable cost of investigating and defending against any claim therefor and counsel fees incurred in connection therewith), joint or several, to which EMC, the Company, any

of the Selling Shareholders or any such director or officer may become subject under The Securities Act, 1966 of Ontario or any corresponding statute of any of the Provinces of Canada or the regulations thereunder, or any other statute or at common law, arising out of or based on the ground that the Prospectus (as originally filed and as from time to time amended and/or supplemented) includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, insofar as any such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Company by us, specifically for use in connection with the preparation thereof, provided, however, that in no case are we to be liable with respect to any claim made against the Company or any person against whom the action is brought, unless the Company or any such person shall have notified us in writing promptly after the summons or other first legal process shall have been served upon the Company or such person giving information of the nature of the claim; provided always that failure to so notify us shall not relieve us from any liability which we may have to the Company or such person otherwise than on account of the indemnity agreement contained herein. We shall be entitled to participate at our own expense in the defense, or, if we so elect to assume the defense, of any suit brought to enforce any such liability, but, if we elect to assume the defense such defense shall be conducted

by counsel chosen by us and satisfactory to the Company. In the event that we elect to assume the defense of any such suit and retain such counsel, EMC, the Company, the Selling Shareholders and such officers and directors defendant or defendants in the suit shall bear the fees and expenses of any additional counsel retained by them, respectively. The indemnification agreement contained in this paragraph (b) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any person so indemnified, and shall survive the delivery of the 1,300,000 Common Shares hereby agreed to be purchased and sold. We agree promptly to notify the Company of the commencement of any litigation or proceedings against us in connection with the issue or sale of the said 1,300,000 Common Shares.

7. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements of EMC and the Company shall remain operative and in full force and effect regardless of any investigation made by us or on our behalf or by or on behalf of EMC or the Company and shall survive delivery of the 1,300,000 Common Shares hereby agreed to be purchased and sold.

8. COSTS AND EXPENSES. If the sale and delivery of 1,300,000 Common Shares herein provided for is consummated, we will pay all costs and expenses incident to the public offering of the said 1,300,000 Common Shares to a maximum of $200,000 (United States currency), including, but not limited to, the fees

and expenses of our counsel and counsel for the Company and the costs and expenses incident to the preparation, printing and filing of a preliminary prospectus and the Prospectus under The Securities Act, 1966 of Ontario and the corresponding statutes of the other Provinces of Canada, but not including the costs of printing definitive share certificates and share warrants, security transfer and similar taxes and the costs and expenses of the registrar and transfer agent and any branch registrar and branch transfer agent incident to the delivery to us of certificates for the said 1,300,000 Common Shares. If the sale and delivery of 1,300,000 Common Shares herein provided for is not consummated, the Company will pay all costs and expenses incident to the proposed public offering of the said 1,300,000 Common Shares, including our out-of-pocket expenses and the costs and expenses referred to above; provided always that the Company shall in no event be liable to us for damages on account of loss of anticipated profits from the sale of Common Shares.

9. EFFECTIVENESS. This agreement shall become effective at 9:00 A.M. Toronto time on the first full business day following the date of the obtaining of a receipt from the Ontario Securities Commission for the filing of the Prospectus with it. This agreement may be terminated by the Company at any time before it becomes effective in accordance with this clause 9 by notice from the Company to us and may be terminated by us at any time before it becomes effective in accordance with this clause 9 by notice from us to the Company. Any termination of this agreement under this clause 9 shall be without liability on the part of the Company to

us or of us to EMC or the Company, except as provided in clauses 6 and 8 hereof.

10. NOTICES. All communications hereunder shall be in writing and, except as otherwise provided, if sent to us shall be delivered at, or mailed or telegraphed to, J. H. Crang & Co., 20 King Street West, Toronto, Canada, Attention: M. J. Howe; and, if to the Company or EMC, to I.O.S., Ltd., 119 rue de Lausanne, Geneva, Switzerland, Attention: E. M. Cowett.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us at 20 King Street West, Toronto, Ontario, Canada, the enclosed duplicate hereof, whereupon it will become a binding agreement between EMC, the Company and us in accordance with its terms. By his signing of this agreement, EMC represents that he has been authorized by each of the Selling Shareholders to execute the same on behalf of such Selling Shareholders and to act for such Selling Shareholders in the manner herein provided.

Yours very truly,

J. H. CRANG & CO.

by _____

The foregoing is in accordance with our understanding and is agreed to.

I.O.S., LTD.

Edward M. Cowett

by _____

Executive Vice-President

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+ J. H. Crang & Co.

SCHEDULE A

The names of the several Selling Shareholders and the number of Common Shares agreed to be sold by each of them are as follows:

Selling Shareholder	No. of Common Shares

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Exhibit D to Affidavit of Murray J. Howe sworn to April 28, 1972

DR. WALTER KÜHLKEN

NÜRNBERG
KÖNIGSTRASSE 3

13. Mai 69.

Dear Sirs,
It is told that your firm will take part in the emission business of the 105 - shares, expected this year.

Can you give any advice how to buy those shares at the emission. Is it possible, to give an order already now to your firm? The sum I could spend is about US 100 000.- I'm quite sure, it will not be possible to get the whole amount, but any material, buyable at the emission should be taken by me.

I hope to hear soon of you!

yours sincerely,

Kühlken

276 PA

June 20, 1969.

Dr. Walter Kuhlken,
Konigstrasse 3,
Nurnberg,
Germany

Dear Sir,

Re your enquiry concerding the possibility of an issue of I.O.S., Ltd. (S.A.), the Company has announced that it is their intention to proceed with an offering of the shares of I.O.S., Ltd. (S.A.) cometime in the fall of 1969.

J.H. Crang & Co. will be the Canadian underwriter for these shares and we would suggest that you contact a European or U.K. stock broker for further information.

Thanking you for your enquiry, we remain

Yours very truly,

J.H. CRANG & CO.

MJH/cb

M.J. Howe.

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C.A. TEXTIL VENEZOLANA
CAPITAL Bs. 4.200.000
APARTADO 912
TELEFONOS: 69.31.11 AL 15
CALLE MAURY - CATIA
CARACAS

Caracas: June 13, 1969.

J. H. Crang & Co.
20 King Street West
Toronto, Canadá

Gentlemen,

As we understand, your firm will act as Underwriter for the shares of I.O.S., Ltd. (S.A.) that will become a public corporation in the near future.

We would like to purchase now a block of 2.000 shares of this company at the current price, for this reason we ask you to help us obtain these shares.

We await with great interest your earliest news, and are

Yours very truly,

por C. A. TEXTIL VENEZOLANA

DIRECTOR - TECNICO

JG/mhm.

Please address your
correspondance to
J. Gozón
c/o C.A. Textil Venezolana
Apartado 912, Caracas.

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June 20, 1969.

Mr. J. Gozon,
c/o C.A. Textil Venezolana,
Apartado 912,
Caracas,
Venezuela.

Dear Sir,

Re your enquiry concerning the possibility of an issue of I.O.S., Ltd. (S.A.), the Company has announced that is is their intention to proceed with an offering of the shares of I.O.S., Ltd. (S.A.) sometime in the fall of 1969.

J.H. Crang & Co. will be the Canadian underwriter for these shares and we would suggest that you contact a European or U.K. stock broker for further information.

Thanking you for your enquiry, we remain

Yours very truly,
J.H. CRANG & CO.

MJH/cb

M.J. Howe.

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Carefree Ltd.

Telephone: 78141
78066

P. O. BOX 4811
NASSAU, BAHAMAS

Cable Address:
Carefree, Nassau, Bahamas

17th June 1969

J. H. Crang & Co.(Toronto) Ltd.,
20 King Street West
Toronto 1,
Ontario
CANADA.

Dear Sirs:

I wonder could you give me some advice on an investment I would like to make.

At present my husband and I are holding about $12,000.oo U.S. in First Federal Savings of Miami, in Miami, Florida.

Is it possible for this to be invested in the new I.O.S.issue due about the Fall? If so, we would like this invested through your Canadian office. If it is possible for you to hold such stock for us we would arrange for a cheque (about the equivalent of U.S.$12,000.oo) to be sent to your office.

Would much appreciate your comments on this at your early convenience.

Yours faithfully,

Dorothy Wellings

Dorothy Wellings (Mrs)
Resident Manager

280 PA

June 20, 1969.

Mrs. Dorothy Wellings,
Carefree Limited,
P.O. Box 4811,
Nassau, Bahamas.

Dear Mrs. Wellings,

Re your enquiry concerning the possibility of an issue of I.O.S., Ltd. (S.A.), the Company has announced that it is their intention to proceed with an offering of the shares of I.O.S., Ltd. (S.A.) sometime in the fall of 1969.

J.H. Crang & Co. will be the Canadian underwriter for these shares and we would suggest that you contact a European or U.K. stock broker for further information.

Thanking you for your enquiry, we remain

Yours very truly,

J.H. CRANG & CO.

M.J. Howe.

MJH/cb

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MEDICAL CIRCULATION CO.
601 MADISON AVENUE
SUITE 405
NEW YORK, N. Y. 10022

MU 8-6380

July 14, 1969

J. H. Crang, Investment Brokers
20 King West
Toronto, Canada

Gentlemen:

Mr. Wolters Kruithof, I believe a client of yours, wrote me recently from Dusseldorf, Germany that his company, I. O. S., is planning to go public sometime in August, and that the price would be around $15.00.

I am interested in this new issue and would appreciate your sending me all information as to how I can aquire this stock through your firm. As an American citizen, can I buy directly from you?

Would appreciate an early reply.

Cordially yours,

Edmund A. Diaz

EAD:DD.

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Exhibit #7

July 21st, 1969.

Mr. Edmund A. Diaz,
Medical Circulation Co.,
Suite 405,
601 Madison Avenue,
New York, N. Y. 10022,
U. S. A.

Dear Sir:

I wish to acknowledge receipt of your letter of July 14th enquiring concerning I. O. S., Ltd. (S.A.).

We understand the Company is contemplating offering a public issue some time this fall. However, we also understand that one of the conditions of the offering will be that the shares will not be offered to American citizens.

Yours truly,

J. H. CRANG & CO.,

MJH:JIR

M. J. Howe.

283 PA

EXPORT BANK LTD.

CABLE ADDRESS:
EXPORTBANK TEL-AVIV
Code: PETERSON'S FOURTH ED.

TEL-AVIV (Israel) August 17th 1969.

Messrs.
J.H.Crang & Co.,
40, Adelaide Street West,
Toronto,Ontario,
C A N A D A.

Dear Sirs,

Several of our clients are interested in the forthcoming new issue of INVESTORS OVERSEAS SERVICES LTD., S.A. Shares.

Would you kindly keep us informed about every new detail, occurance and action concerning the new issue.

Thanking you in advance,we remain,

Yours faithfully,

EXPORT BANK LTD.

AT:MF

284 PA

September 3, 1969.

Export Bank Ltd.,
P.O.B. 1501,
9 Ahad Haam Street,
Tel-Aviv, Israel.

Dear Sir,

In reply to your letter of August 17, 1969, J.H. Crang & Co. is doing the Canadian portion of the proposed underwriting of I.O.S. Ltd. and distribution must all take place in Canada. We would suggest that you contact Drexel Harriman Ripley International, Luxembourg.

Yours truly,

MJH/cb

M.J. Howe.

285 PA

JÜRGEN FELDKAMP, Volkswirt, Anlageberater

INVESTORS OVERSEAS SERVICES

FUND OF FUNDS · AN INTERNATIONAL INVESTMENT TRUST · FUND OF AMERICA

45 Pye/Osnabrück, 18.8.69
Fürstenauer Weg 51
W-Germany

J.H. Crang & Co
Toronto/Ontario
Canada

Sehr geehrte Herren!

Wie mir durch unsere Geschäftsstelle Genf mitgeteilt wurde, sind Sie Emissionär für die neuen Aktien der IOS'Muttergesellschaft.

Bitte besorgen Sie mir für US-Dollar 10.000,-- diese Aktien zum Emissionskurs und schicken Sie die Papiere an mein Depot:

Orbis-Bank GmbH
4 Düsseldorf/Germany
Immermannstr.6
Depot Nr. 10015207

Die Bezahlung der Aktien erfolgt sofort in US-Dollar nach Erhalt der Papiere.

Teilen Sie mir bitte mit, ob Sie diese Order ausführen können.

Haben Sie schon jetzt herzlichen Dank für Ihre freundlichen Bemühungen!

Hochachtungsvoll

45 PYE / OSNABROCK, FÜRSTENAUER WEG 51, TELEFON (0541) 2 44 37 BÜRO, (05407) 437 PRIVAT

Investors Overseas Services Limited — Geschäftsstelle: 119 Rue de Lausanne, Genf
Anlageberater in fast allen Ländern der westlichen Welt
Agenturen in: Aachen, Augsburg, Berlin, Bielefeld, Bonn, Bremen, Dortmund, Düsseldorf, Essen, Frankfurt, Freiburg, Gießen, Hamburg, Hannover, Heidelberg, Kehl, Kiel, Koblenz, Köln, Lörrach, Mannheim, München, Münster, Nürnberg, Offenburg, Osnabrück, Regensburg, Saarbrücken, Starnberg, Stuttgart, Villingen, Wiesbaden, Würzburg, Wuppertal

286 PA

GENTLEMEN!

Information received from our head office in Geneva indicates that you'll act as underwriter for the next issue of 10S present company.

Please reserve for me $10000.- worth of these shares at the above price and forward these to my account with:

Prompt payment in US currency will made upon receipt of the contracts.

287 PA

September 3, 1969.

Mr. Jurgen Feldkamp,
45 Pye/Osnabruck,
Furstenauer Weg 51,
West Germany,

Dear Mr. Feldkamp,

In reply to your letter of August 18, 1969, J.H. Crang & Co. is doing the Canadian portion of the proposed underwriting of I.O.S. Ltd. and distribution must all take place in Canada. We would suggest that you contact Drexel Harriman Ripley International, Luxembourg.

Yours truly,

MJH/cb

M.J. Howe.

288 PA

1969 AUG 25 AM 8 52

CRANGCO TOR

22533B UBSNCH

GENEVE LE 25.8.1969 0945

PLEASE SUBSCRIBE FOR OUR ACCOUNT
-10'000 SHARES I.O.S. LTD. PANAMA (IF AND WHEN ISSUED)

AND ADDRESS ANY EVENTUAL ALLOTMENT
TO UNION BANK OF SWITZERLAND (STOCK EXCH. DEPT)
GENEVA TELEX NO 22533/22534

THANKS

CRANGCO TOR

22533B UBSNCH

289 PA

Q

VOV
INTLX MOM
INTLX MTL 11.
CRANGCO TOR

PTS
05222533+

22533A UBS CH.
CRANGCO TOR

GA

TORONTO AUG 27/69

RE YOUR TELEX, J.H. CRANG AND CO. ARE DOING CANADIAN PORTION.
OF PROPOSED UNDERWRITING OF I.O.S. LTD. AND DISTRIBUTION MUST
ALL TAKE PLACE IN CANADA. SUGGEST YOU CONTACT DREXEL HARRIMAN
RIPLEY INTERNATIONAL, LUXEMBOURG.

M.J. HOWE

J H CRANG AND CO 4.33 PM.
22533A UBS CH
CRANGCO TOR

290 PA

Mr Mooney of Continental Airfreight
at Airport

Received this message for J K Chang & Co
Please subscribe 100 new $ 0 $
Management Ltd shares at issue price for
our account. Please confirm.

Called J K Chang who said it was meant
for J K Chang & Co.

From United California Bank
In Basel ag Switzerland

Reg Cable Letters 6252-6254O-UCBS-CH

291 PA

INTLX MOM
INTLX MTL 3)+
CRANGCO TOR

PTS
05262540+

62540 UCBS CH+
CRANGCO TOR

GA .

TORONTO AUG 27/69

RE YOUR TELEX, J.H. CRANG AND CO. ARE DOING CANADIAN PORTION OF PROPOSED UNDERWRITING OF I.O.S. LTD. AND DISTRIBUTION MUST ALL TAKE PLACE IN CANADA. SUGGEST YOU CONTACT DREXEL HARRIMAN RIPLEY INTERNATIONAL, LUXEMBOURG.

M.J. HOWE

J H CRANG AND CO 4.26 PM+
62540 UCBS CH
CRANGCO TOR

292 PA

CRENGCOG
CRANGCO TOR

52315 BKEB CH

28.8.1969 8.31

GOOD MORNING SIRS

THIS IS BANK FUER HANDEL UND EFFEKTEN, TALACKER 50, 8039 ZUERICH SWITZERLAND

WE SUBSCRIBE

-2000- SHARES OF IOS LIMITED SA, CANADA

AT ISSUE PRICE

BIBI

CRANGCO TOR

52315 BKEB CH

293 PA

INTLX MOM
INTLX MTL 15+
CRANGCO TOR
KG
PTS
05252315+
V
52315 BHEB CH+
CRANGCO TOR

GA

TORONTO AUG 28/69

RE YOUR TELEX, J.H. CRANG AND CO. ARE DOING CANADIAN PORTION OF PROPOSED UNDERWRITING OF I.O.S., LTD. AND DISTRIBUTION MUST ALL TAKE PLACE IN CANADA. SUGGEST YOU CONTACT DREXEL HARRIMAN RIPLEY INTERNATIONAL, LUXEMBOURG.

M.J. HOWE.

J H CRANG AND CO 3.19 A PM+
52315 BHEB CH
CRANGCO TOR

294 PA

WESTBANK

AKTIENGESELLSCHAFT

Wertpapier-Abteilung

Telefon: 39 10 41 – bei Durchwahl 39 10 4...
Fernschreiber: 2-11 518
Code: Peterson 3rd and 4th Ed.
Landeszentralbank: Konto Nr. 22/37
Postscheck: Hamburg 332
Drahtanschrift: WESTBANK

2000 Hamburg 50/Postfach: 501369
Neue Gr. Bergstraße 7 – WESTBANKHAUS-

H.J. Crang

Toronto, Ontario

Canada

Datum September 1, 1969

Ihre Zeichen ./. Unsere Zeichen Ho./ja

Betrifft: Shares of the IOS. Ltd. Panama

Please buy for us

further shares 250 IOS Ltd. Panama, Holding, new issue
limit US $ 15,-- p.sh.

Looking forward to your advice of settlement, we remain

Westbank

Jede beschriebene Seite dieses Briefes muß unterzeichnet sein.

Vorstand: Erwin Gardels, York Hoose, Dr. Richard Oertel · Stellvertreter: Karl Meitzler
Aufsichtsratvorsitzender: Ernst Caratsch · Juristischer Sitz: Husum, HRB 57 · Hauptverwaltung: Hamburg

295 PA

WESTBANK

AKTIENGESELLSCHAFT

Wertpapier-Abteilung

Telefon: 39 10 41 – bei Durchwahl 39 10 4...
Fernschreiber: 2-11 518
Code: Peterson 3rd and 4th Ed.
Landeszentralbank: Konto Nr. 22/37
Postscheck: Hamburg 832
Drahtanschrift: WESTBANK

2000 Hamburg 50/Postfach: 50 13 69
Neue Gr. Bergstraße 7 – WESTBANKHAUS –

H.J. Crang & Co

Toronto, Ontario

Canada

Ihre Zeichen ./. Unsere Zeichen Ho./ja Datum September 1, 1969

Betrifft:

Shares of the IOS Ltd. Panama

Please buy for us

further shares -500- IOS Ltd. Panama, Holding, new issue
limit US $ 11,-- p.sh.

We are looking forward to your advice of settlement.

Yours very truly

Westban

Jede beschriebene Seite dieses Blattes muß unterzeichnet sein.

Vorstand: Erwin Gardels, York Hoose, Dr. Richard Oertel · Stellvertreter: Karl Meitzler
Aufsichtsratsvorsitzender: Ernst Carstens · Juristischer Sitz: Husum, HRB 57 · Hauptverwaltung: Hamburg

296 PA

WESTBANK

AKTIENGESELLSCHAFT

WERTPAPIER-ABTEILUNG

Telefon: 391041 - bei Durchwahl 39104...
Fernschreiber: 2-11518
Code: Peterson 3rd and 4th Ed.
Landeszentralbank: Konto Nr. 22/37
Postscheck: Hamburg 832
Drahtanschrift: WESTBANK

2000 Hamburg 50/Postfach: 1369
Neue Gr. Bergstraße 7 - WESTBANKHAUS -

H. J. Crang & Co.

Toronto /Ontario

Canada

Ihre Zeichen

Unsere Zeichen Ho/Gu

Datum September 8, 1969

Betrifft: Shares of the IOS Ltd. Panama

Dear Sirs,

please buy for us further

shares -400- IOS Ltd. Panama Holding
new issue

shares -20- limit US$ 14,-- p. sh.

We are looking forward to your advice of settlement.

Yours very truly,

WESTBANK

Jede beschriebene Seite dieses Blattes muß unterzeichnet sein.

Vorstand: Erwin Gardels, York Hoose, Dr. Richard Oertel, Stellvertreter: Karl Meitzler
Aufsichtsratsvorsitzender: Ernst Carstens · Juristischer Sitz: Husum · Hauptverwaltung: Hamburg

297 PA

September 4, 1969.

Westbank A.G.,
2000 Hamburg 50,
Postfach 501369,
W-Germany.

Dear Sir,

In reply to your letters of September 1, 1969 J.H. Crang & Co. is doing the Canadian portion of the proposed underwriting of I.O.S. Ltd. and distribution must all take place in Canada. We would suggest that you contact Drexel Harriman Ripley International, Luxembourg.

Yours truly,

J.H. CRANG & CO.,

MJH/cb

M.J. Howe.

298 PA

September 2, 1969.

Mrs. Richard J.L. Mayer,
222 Centre Avenue,
New Rochelle, N.Y. 10805,
U.S.A.

Dear Mrs Mayer,

Further to our telephone conversation, I have spoken to Mr. Howe who confirmed that we definitely cannot sell shares of the new issue of I.O.S. Ltd. to an American citizen.

Yours truly,

JLR/cb

(Mrs.) Jean I. Rider.

299 PA

CNCP TELTOR TNB•
CRANGCO TOR
CNT TXL333 CARACAS 29/27 SEPT 11 1205
CRANGCO
TOR
ATTN HOWE REYRLET JUNE 20TH PLEAS SECURE ME 3000 SHARES
IOS LIMITED YOUR UNDERWRITNG LETTER FOLLOWS STOP WILL CABL
NECESSARY FUNDS IMMEDIATELY
JUAN GORZON CATEXTIL

20TH 3000
637P EDT
CNCP TELTOR TNB•
CRANGCO TOR

1969 SEP 12 AM 8 55

Telex

June 20.

Please do not send funds. We handle
Canadian distribution only as per our
letter of June 20. Howe.

300 PA

CN CP TELTOR TA•
CRANGCO TOR

CN FR VIA WUI

TORONTO SEPT 12/69

JUAN GORZON
CATEXTIL
CARACAS VENEZUALA

PLEASE DO NOT SEND FUNDS. WE HANDLE CANADIAN
DISTRIBUTION ONLY AS PER OUR LETTER OF JUNE 20.

HOWE.

J H CRANG AND CO 10.40 AM•
CN CP TELTOR TA•
CRANGCO TOR

301 PA

No letter received. We will be distributing in Canada only as proposed 10 Sept issue.

CRANGCO TOR

CNCP TELTOR TNC
CRANGCO TOR
CNT TXM004 16
TX
MILANO FONO SEPT 18 1800
CRANGCO TORONTO
PLEASE CABLE WHETHER RECEIVED LETTER SEPTEMBER 11 AND SUBSCRIBED
IOS
EYRA CHAMMAH CARE SHAMROPE

COL 11
(1120P EDT).
CNCP TELTOR TNC
CRANGCO TOR

302 PA

CN CP TELTOR TK◆
CRANGCO TOR

VIA WUI

CN FR

TORONTO SEPT 29/69

SHAMROPE
MILAN ITALY

ATTN CHAMMAH

NO LETTER RECEIVED. WE WILL BE DISTRIBUTING IN CANADA ONLY. RE PROPOSED I.O.S., LTD. ISSUE.

J H CRANG AND CO 1.27 PM◆
CN CP TELTOR TK◆
CRANGCO TOR

303 PA
Exhibit E to Affidant of Murray J. Howe
sworn to April 28, 1972

J. H. Crang & Co.

MEMBERS
THE INVESTMENT DEALERS ASSOCIATION OF CANADA
PRINCIPAL CANADIAN STOCK EXCHANGES

PARTNERS
J. H. CRANG — E. D. SCOTT
D. A. FITZGERALD — M. J. HOWE
D. M. DUNLAP — PAUL ROBERT
F. V. McCANN — O. A. H. SIMS
J. BRADSHAW — P. C. D. BEST
C. C. DONLEY (LTD.)

CABLE ADDRESS "CRANGCO" TORONTO
TELEPHONE 363-0611
TELEX 02-2536

BROCKVILLE
BURLINGTON
HAMILTON
KINGSTON
KITCHENER
NEWMARKET
NIAGARA FALLS
OAKVILLE
OSHAWA
OTTAWA
PEMBROKE
PETERBOROUGH
RICHMOND HILL
ST. CATHARINES
ST. THOMAS
WELLAND
WOODSTOCK

Head Office
Twenty King Street West
Toronto 1

September 23, 1969.

TO: INVESTORS OVERSEAS BANK LIMITED

AND TO: I.O.S., LTD.,
119 rue de Lausanne,
1211 Geneva, Switzerland.

Dear Sirs:

We understand that I.O.S., Ltd. (hereinafter called the "Company") is a public company incorporated under the laws of Canada by letters patent dated January 28, 1953 and that at the present time, the authorized capital of the Company is $56,250,000 (United States currency) divided into 75,000,000 Preferred Shares of the par value of 25¢ (United States currency) each (hereinafter called "Preferred Shares") and 150,000,000 Common Shares of the par value of 25¢ (United States currency) each (hereinafter called "Common Shares"). We further understand that 43,674,156 Preferred Shares (and no more) and 5,392,000 Common Shares (and no more) in the capital of the Company are now issued and outstanding as fully paid and non-assessable.

We also understand that, pursuant to authority conferred on Edward M. Cowett (hereinafter called "EMC") by

powers of attorney (copies of which have been delivered to us) made in favour of EMC by the persons (hereinafter called the "Selling Shareholders") named in Schedule A to a letter agreement (hereinafter called the "Main Agreement") of even date herewith made between EMC, the Company and us relating to the purchase by us of 1,300,000 Common Shares in the capital of the Company, EMC, as agent of the Selling Shareholders, is entitled to sell 4,092,000 issued and outstanding Common Shares in the capital of the Company beneficially owned by the Selling Shareholders. You have advised us that EMC has appointed Investors Overseas Bank Limited (hereinafter called "IOB") his agent for purposes of selling the said 4,092,000 Common Shares. We confirm that we have agreed to buy and IOB, as agent of EMC and the Selling Shareholders, has agreed to sell to us 150,000 of the said 4,092,000 Common Shares at the price of $9.50 (United States currency) per share, all on the terms and conditions set out below.

1. TERMS AND CONDITIONS. Our obligation to take up and pay for the said 150,000 Common Shares is subject to fulfilment of and compliance with the following terms and conditions:

(a) The terms and conditions contained in clause 1 of the Main Agreement shall have been complied with;

(b) At the Time of Closing hereinafter referred to, we shall have received a legal opinion from our counsel (who shall be entitled to rely upon the opinions of various counsel for the Company as to all or any of the matters mentioned below,

which opinions such various counsel shall give if requested)

(i) that delivery to us by IOB of a certificate or certificates for the 150,000 Common Shares hereby agreed to be purchased and sold will, under applicable laws of Canada and the Province of Ontario, pass to us good and marketable title to such shares free from all liens, charges and encumbrances of which we do not have notice;

(ii) that this agreement has been duly authorized, executed and delivered by the Company on its own behalf and on behalf of EMC and the Selling Shareholders by IOB;

(iii) assuming due and valid execution of the aforesaid powers of attorney made in favour of EMC by each of the Selling Shareholders, that EMC has been duly authorized by each Selling Shareholder to appoint IOB as his agent to sell and deliver Common Shares as agent and on behalf of such Selling Shareholder in accordance with the terms of this agreement;

(iv) as to all other legal details in any way connected with our purchase and offering of the said 150,000 Common Shares as herein provided.

The Company and IOB agree that the foregoing conditions are to be complied with by the Company and IOB insofar as the same relate to acts to be performed or caused to be performed by the Company or IOB, that the Company and IOB will use their best efforts to comply with the said conditions or to cause the said conditions to be complied with and that in the event that any of the said conditions are not complied with we may give notice to IOB as herein provided and in such event all our obligations hereunder shall be at an end. Notwithstanding the giving of such notice the expenses agreed to be paid by the Company and referred to in clause 7 hereof incurred up to the time of the giving of such notice shall be paid by the Company. It is understood that we may waive in whole or in part or extend the time for compliance with either of the foregoing conditions (a) and (b) without prejudice to our rights in respect of the other condition or any other or subsequent breach or non-compliance provided that any such waiver or extension shall be binding upon us only if the same is in writing.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND IOB. The Company and IOB hereby represent and warrant as follows and acknowledge that our agreements herein contained are made in reliance on such representations and warranties:

(a) The representations and warranties contained in clause 2 of the Main Agreement are true and correct in every respect;

(b) Each of the Selling Shareholders has good and marketable title to the Common Shares to be sold by IOB hereunder as the agent of EMC and such Selling Shareholder free and clear of any security interest, claims, liens or encumbrances other than any required in order to consummate the sale thereof hereunder; each Selling Shareholder has duly authorized EMC as his agent and on his behalf to appoint IOB his agent to execute and deliver this agreement and to deliver the Common Shares to be sold by IOB hereunder as the agent of EMC and such Selling Shareholder; each Selling Shareholder has full legal right, power and authority to enter into this agreement and has full legal right, power and authority to sell, assign, transfer and deliver to us in the manner provided herein the Common Shares to be sold by IOB hereunder as the agent of EMC and such Selling Shareholder; and upon delivery to us and payment for such Common Shares hereunder, we will acquire good and marketable title to such Common Shares free and clear of any security interest, claim, lien or encumbrance other than such as may result from our acts.

3. COVENANT OF THE COMPANY. The Company hereby covenants and agrees with us that it will perform and fulfill the covenants made by it in clause 3 of the Main Agreement.

J. H. Crump & Co.

4. OUR COVENANTS. We hereby covenant and agree with the Company and IOB as follows:

(a) We will offer to sell at a price of $10 (United States currency) per share the 150,000 Common Shares hereby agreed to be purchased and sold to such

(i) executives and sales personnel of the Company and its subsidiaries,

(ii) investors in mutual funds managed by the Company or its subsidiaries, and

(iii) other persons having continuing business relations with the Company and its subsidiaries

in Canada as the Company shall specify; and

(b) In the event that the persons to whom the said 150,000 Common Shares are offered as provided in paragraph (a) of this clause 4 do not agree to purchase all such shares, we will sell any unpurchased shares to such persons as the Company may specify at a price of $10 (United States currency) per share.

5. PAYMENT AND DELIVERY. Payment for the said 150,000 Common Shares which we have agreed to purchase hereunder shall be made by certified or bank cheque or cheques in favour of IOB payable at par in London, England at the offices of The Bank of New York, 147, Leadenhall Street, London, E.C. 2, England at the hour of 3:00 o'clock in the afternoon (London time) on October 15,

J. H. Crang & Co.

1969 or at such other time on such other date as we and the Company may agree upon in writing (the time and date on which payment is actually made being herein called the "Time of Closing").

Delivery of certificates for the said 150,000 Common Shares shall be made to us at the Time of Closing at the offices of Montreal Trust Company, 15 King Street West, Toronto, Canada. Such certificates shall be in fully registered form and shall be in such names and for such numbers of shares as we shall specify by notice in writing given to the Company at least 5 days prior to the Time of Closing. Such certificates shall be available for examination by us at the said offices of Montreal Trust Company during the two business days immediately preceding the Time of Closing.

6. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements of IOB and the Company shall remain operative and in full force and effect regardless of any investigation made by us or on our behalf or by or on behalf of IOB or the Company and shall survive delivery of the 150,000 Common Shares hereby agreed to be purchased and sold.

7. COSTS AND EXPENSES. If the sale and delivery of 150,000 Common Shares herein provided for is consummated, we will pay all costs and expenses incident to the public offering of the said 150,000 Common Shares and the 1,300,000 Common Shares referred to in the Main Agreement to a maximum of $200,000 (United States currency), including, but not limited to, the fees and expenses of our counsel and counsel for the Company

and the costs and expenses incident to the preparation, printing and filing of a preliminary prospectus and the Prospectus under The Securities Act, 1966 of Ontario and the corresponding statutes of the other Provinces of Canada, but not including the costs of printing definitive share certificates and share warrants, security transfer and similar taxes and the costs and expenses of the registrar and transfer agent and any branch registrar and branch transfer agent incident to the delivery to us of certificates for the said 150,000 Common Shares. If the sale and delivery of 150,000 Common Shares herein provided for is not consummated, the Company will pay all costs and expenses incident to the proposed public offering of the said 150,000 Common Shares, including our out-of-pocket expenses and the costs and expenses referred to above; provided always that the Company shall in no event be liable to us for damages on account of loss of anticipated profits from the sale of Common Shares.

8. EFFECTIVENESS. This agreement shall become effective at 9:00 A.M. Toronto time on the first full business day following the date of the obtaining of a receipt from the Ontario Securities Commission for the filing of the Prospectus with it. This agreement may be terminated by the Company at any time before it becomes effective in accordance with this clause 8 by notice from the Company to us and may be terminated by us at any time before it becomes effective in accordance with this clause 8 by notice from us to the Company. Any termination of this

J. H. Crang & Co.

agreement under this clause 8 shall be without liability on the part of the Company to us or of us to IOB or the Company, except as provided in clause 7 hereof.

9. NOTICES. All communications hereunder shall be in writing and, except as otherwise provided, if sent to us shall be delivered at, or mailed or telegraphed to, J. H. Crang & Co., 20 King Street West, Toronto, Canada, Attention: M. J. Howe; and, if to the Company or IOB, to I.O.S., Ltd., 119 rue de Lausanne, Geneva, Switzerland, Attention: E. M. Cowett.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us at 20 King Street West, Toronto, Ontario, Canada, the enclosed duplicate hereof, whereupon it will become a binding agreement between IOB, the Company and us in accordance with its terms. By its signing of this agreement, IOB represents that it has been authorized by EMC, as agent for each of the Selling Shareholders, to execute the same on behalf of such Selling Shareholders and to act for such Selling Shareholders in the manner herein provided.

Yours very truly,

J. H. CRANG & CO.

by _____

The foregoing is in accordance with our understanding and is agreed to.

INVESTORS OVERSEAS BANK LIMITED

by _____

I.O.S. LTD.

by _____

Executive Vice-President

312 PA
Exhibit F1 to Affidant of Murray J. Howe
Sworn to Apr. 28, 1972

J. H. Crang & Co.

BANKING GROUP AGREEMENT

I.O.S., LTD.

Common Shares of the par value of
25¢ each (United States currency)

September ,1969

Dear Sirs:-

As underwriter, we proposed to purchase from a number of shareholders (the "Selling Shareholders") of I.O.S., Ltd. (the "Company") 1,300,000 common shares of the par value of 25¢ each (United States currency) in the capital stock of the Company (the "common shares").

Enclosed is a draft prospectus substantially in the form of the final prospectus to be filed under the securities laws of all the Provinces of Canada containing details of the Company and its subsidiaries and of this issue of common shares.

J. H. Crang & Co.

313 PA

1. OFFERING TO BANKING GROUP MEMBERS. We are forming a Banking Group, in which we will participate and of which we shall be Managers, with full discretionary powers, to purchase from ourselves the common shares at a price of $ per share, which price provides a profit to us.

As principals, we offer you a participation of common shares in this Banking Group, subject to the terms and conditions stated herein and in the preliminary prospectus. Your acceptance of this participation will constitute a purchase by you as principal. The liability of Banking Group members will be several and not joint.

2. REOFFERING BY BANKING GROUP MEMBERS. Common shares purchased by you may be reoffered at the price to the public to be set forth in the final prospectus (the "Prospectus") proposed to be filed under the securities laws of all the Provinces of Canada.

You represent and agree that

(a) your common shares are being purchased by you as principal;

(b) the common shares being purchased by you will be reoffered or resold by you, directly or indirectly, to the extent of common shares, and no more, only within Canada and to the extent of common shares, and no more, only within Europe and The United Kingdom;

314 PA

J. H. Crang & Co.

(c) you will not knowingly, directly or indirectly, reoffer or resell any of your common shares to citizens of the United States of America, or to executives, employees or sales associates of the Company or any of its subsidiaries or any members of the family of such executives, employees or sales associates (for the purpose of this clause 2, members of a person's family are his spouse, sons and daughters, whether or not they live together);

(d) you will not directly or indirectly reoffer or resell more than 1,000 of your common shares to any one person, firm or corporation; and

(e) prior to the delivery to you of your common shares you will deliver to us particulars of your distribution of such common shares by completing the enclosed distribution form.

3. REPURCHASES BY THE BANKING GROUP MEMBERS. It is assumed that common shares sold by you will be effectively placed for investment. If we contract for or purchase, in the open market or otherwise, any common shares sold to you and not effectively placed for investment, we may charge you the difference between the price to Banking Group members and the retail price of the common shares on the common shares so repurchased or sell to you the common shares so repurchased at the cost of such repurchase,

315 PA

J. H. Crang & Co.

plus commissions and taxes on redelivery and you agree to pay such amounts to us on demand.

You will advise us upon request of common shares purchased by you remaining unsold and we shall have the right to repurchase such unsold common shares on demand at a price being no more than the retail price or less than the price to Banking Group members.

4. STABILIZATION AND OVER-ALLOTMENT. To facilitate the primary distribution of the common shares, you authorize us in our discretion to make purchases and sales of the common shares for your account in the open market or otherwise, for long or short account, on such terms as we deem advisable and, in arranging sales, to over-allot. You also authorize us, either before or after the termination of this Banking Group Agreement, to cover any short position incurred pursuant to this clause 4 on such terms as we deem advisable. All such purchases, sales and over-allotment

316 PA.

J. H. Crang & Co.

shall be made for the accounts of the several Banking Group members as nearly as practicable in proportion to their several obligations. Your net commitment under this clause 4 shall not exceed 10% of your Banking Group obligation.

5. PAYMENT AND DELIVERY. Payment for common shares purchased by you shall be made by you upon four (4) days written, cabled or telegraphed notice from us by certified cheque payable at par in Toronto and payable to the order of J.H. Crang & Co. against delivery of such common shares. Delivery of your common shares will be made at the office of Montreal Trust Company, 15 King Street West, Toronto, Canada. Certificates for shares in definitive form shall be registered in such names and in such number of shares as you shall request not later than the sixth full business day prior to the delivery date by written notice to us; failing receipt of such written notice from you, delivery will be made at Toronto in the form of one certificate registered in our name duly endorsed. Definitive certificates representing your common shares are expected to be ready for delivery as aforesaid on or about October ,1969.

6. QUALIFICATION FOR SALE. It is proposed to register these common shares under the securities legislation of all Provinces of Canada. In respect of offerings and/or

sales of these common shares in the Province of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and/or New Brunswick, your attention is drawn to the fact that you must comply with the certain requirements of the Securities Act, 1967 (British Columbia), The Securities Act, 1967 (Alberta), The Securities Act, 1967 (Saskatchewan), The Securities Act, 1968 (Manitoba), The Securities Act, 1966 (Ontario) and The Securities Act (New Brunswick).

7. TERM OF AGREEMENT. This Banking Group Agreement will continue for a period of thirty (30) days from September , 1969 unless sooner terminated by us or it may be extended at our option for a further period or periods not to exceed in the aggregate sixty (60) days.

8. OFFERING DATE AND PROSPECTUSES. Unless otherwise advised, copies of the Prospectus and offering letters may be distributed on and after September , 1969. Copies of the Prospectus in blank will be available to you in such quantity as you may reasonably require in connection with your primary distribution of the common shares. If you wish your imprint on the copies of the Prospectus in blank being made available by us you must contact Atwell, Fleming Printing Co. Ltd., 31 Princess Street, Toronto (Mr. Fraser Torrie - 366-6541).

9. EXPENSES. As managers of the Banking Group we will pay all Banking Group expenses except expenses incurred by us pursuant to the provisions of clause 4.

10. BANKING GROUP ADVERTISEMENT. We will publish the Banking Group advertisement. Your acceptance of this offer will be considered as authority to us to include your name as it appears herein in such advertisement. Individual Banking Group members may advertise at their own expense, mentioning no amount of common shares, immediately following the appearance of the Banking Group advertisement.

11. UNDERWRITING AGREEMENT. This offer of participation in the Banking Group is made by us to you on, and subject to, the terms and conditions set forth herein and subject to our underwriting agreement with the Selling Shareholders and the Company and is also made on the express understanding that this offer is at all times subject to the provisions of such underwriting agreement and particularly our rights to withdraw from our obligations thereunder and hereby terminating the said underwriting agreement and our obligations to you hereunder at any time in our discretion and without reference or prior notice to you.

The following includes the names of the partners of J.G. Crang & Co.: James Harold Crang, Eric Duff Scott, Dennis A. FitzGerald, Murray Joseph Howe, David M. Dunlap, Paul Robert, Fred Vernon McCann, Owen Anthony Haig Sims, James William Bradshaw, Peter C.D. Best and G.C. Donley (limited partner).

319 PA

J. H. Crang & Co.

12. ACCEPTANCE. As evidence of your acceptance of this offer and your agreement to observe the terms hereof, please sign and return the signed duplicate copy of this agreement to J.H. Crang & Co., 20 King Street West, Toronto, Ontario (Attention: M.J :Howe).

Yours very truly,

J.H. CRANG & CO.

by:

_____

Partner

Accepted September , 1969.

_____

_____

320 PA
Exhibit F2 to Affidavit of Murray J. Howe
J. H. Crang & Co. sworn to April 28, 1972

BANKING GROUP AGREEMENT

I.O.S.,LTD.

Common Shares of the par value of
25¢ each (United States currency)

September ,1969

Dear Sirs:-

As underwriter, we proposed to purchase from a number of shareholders (the "Selling Shareholders") of I.O.S.,Ltd. (the "Company") 1,300,000 common shares of the par value of 25¢ each (United States currency) in the capital stock of the Company (the "common shares").

Enclosed is a draft prospectus substantially in the form of the final prospectus to be filed under the securities laws of all the Provinces of Canada containing details of the Company and its subsidiaries and of this issue of common shares.

321 PA

J. H. Crang & Co.

1. OFFERING TO BANKING GROUP MEMBERS. We are forming a Banking Group, i which we will participate and of which we shall be Managers, with full discretionary powers, to purchase from ourselves the common shares at a price of $ per share, which price provides a profit to us.

As principals, we offer you a participation of common shares in this Banking Group, subject to the terms and conditions stated herein and in the preliminary prospectus. Your acceptance of this participation will constitute a purchase by you as principal. The liability of Banking Group members will be several and not joint.

2. REOFFERING BY BANKING GROUP MEMBERS. Common shares purchased by you may be reoffered at the price to the public to be set forth in the final prospectus (the "Prospectus") proposed to be filed under the securities laws of all the Provinces of Canada.

You represent and agree that

(a) your common shares are being purchased by you as principal;

(b) you will only, directly or indirectly, reoffer or resell all of your common shares within Canada;

322PA

J. H. Crang & Co.

(c) you will not knowingly, directly or indirectly, reoffer or resell any of your common shares to citizens of the United States of America, or to executives, employees or sales associates of the Company or any of its subsidiaries or any members of the family of such executives, employees or sales associates (for the purpose of this clause 2, members of a person's family are his spouse, sons and daughters, whether or not they live together);

(d) you will not directly or indirectly reoffer or resell more than 1,000 of your common shares to any one person, firm or corporation; and

(e) prior to the delivery to you of your common shares you will deliver to us particulars of your distribution of such common shares by completing the enclosed distribution form.

3. REPURCHASES BY THE BANKING GROUP MEMBERS. It is assumed that common shares sold by you will be effectively placed for investment. If we contract for or purchase, in the open market or otherwise, any common shares sold to you and not effectively placed for investment, we may charge you the difference between the price to Banking Group members and the retail price of the common shares on the common shares so repurchased or sell to you the common shares so repurchased at the cost of such repurchase,

323 PA

J. H. Crang & Co.

plus commissions and taxes on redelivery and you agree to pay such amounts to us on demand.

You will advise us upon request of common shares purchased by you remaining unsold and we shall have the right to repurchase such unsold common shares on demand at a price being no more than the retail price or less than the price to Banking Group members.

4. STABILIZATION AND OVER-ALLOTMENT. To facilitate the primary distribution of the common shares, you authorize us in our discretion to make purchases and sales of the common shares for your account in the open market or otherwise, for long or short account, on such terms as we deem advisable and, in arranging sales, to over-allot. You also authorize us, either before or after the termination of this Banking Group Agreement, to cover any short position incurred pursuant to this clause 4 on such terms as we deem advisable. All such purchases, sales and over-allotment

324PA

J. H. Crang & Co.

shall be made for the accounts of the several Banking Group members as nearly as practicable in proportion to their several obligations. Your net commitment under this clause 4 shall not exceed 10% of your Banking Group obligation.

5. PAYMENT AND DELIVERY. Payment for common shares purchased by you shall be made by you upon four (4) days written, cabled or telegraphed notice from us by certified cheque payable at par in Toronto and payable to the order of J.H. Crang & Co. against delivery of such common shares. Delivery of your common shares will be made at the office of Montreal Trust Company, 15 King Street West, Toronto, Canada. Certificates for shares in definitive form shall be registered in such names and in such number of shares as you shall request not later than the sixth full business day prior to the delivery date by written notice to us; failing receipt of such written notice from you, delivery will be made at Toronto in the form of one certificate registered in our name duly endorsed. Definitive certificates representing your common shares are expected to be ready for delivery as aforesaid on or about October ,1969.

6. QUALIFICATION FOR SALE. It is proposed to register these common shares under the securities legislation of all Provinces of Canada. In respect of offerings and/or

sales of these common shares in the Province of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and/or New Brunswick, your attention is drawn to the fact that you must comply with the certain requirements of the Securities Act, 1967 (British Columbia), The Securities Act, 1967 (Alberta), The Securities Act, 1967 (Saskatchewan), The Securities Act, 1968 (Manitoba), The Securities Act, 1966 (Ontario) and The Securities Act (New Brunswick).

7. TERM OF AGREEMENT. This Banking Group Agreement will continue for a period of thirty (30) days from September , 1969 unless sooner terminated by us or it may be extended at our option for a further period or periods not to exceed in the aggregate sixty (60) days.

8. OFFERING DATE AND PROSPECTUSES. Unless otherwise advised, copies of the Prospectus and offering letters may be distributed on and after September , 1969. Copies of the Prospectus in blank will be available to you in such quantity as you may reasonably require in connection with your primary distribution of the common shares. If you wish your imprint on the copies of the Prospectus in blank being made available by us you must contact Atwell, Fleming Printing Co. Ltd., 31 Princess Street, Toronto (Mr. Fraser Torrie - 366-6541).

9. EXPENSES. As managers of the Banking Group we will pay all Banking Group expenses except expenses incurred by us pursuant to the provisions of clause 4.

326 PA

J. H. Crang & Co.

10. BANKING GROUP ADVERTISEMENT. We will publish the Banking Group advertisement. Your acceptance of this offer will be considered as authority to us to include your name as it appears herein in such advertisement. Individual Banking Group members may advertise at their own expense, mentioning no amount of common shares, immediately following the appearance of the Banking Group advertisement.

11. UNDERWRITING AGREEMENT. This offer of participation in the Banking Group is made by us to you on, and subject to, the terms and conditions set forth herein and subject to our underwriting agreement with the Selling Shareholders and the Company and is also made on the express understanding that this offer is at all times subject to the provisions of such underwriting agreement and particularly our rights to withdraw from our obligations thereunder and hereby terminating the said underwriting agreement and our obligations to you hereunder at any time in our discretion and without reference or prior notice to you.

The following includes the names of the partners of J.G. Crang & Co.: James Harold Crang, Eric Duff Scott, Dennis A. FitzGerald, Murray Joseph Howe, David M. Dunlap, Paul Robert, Fred Vernon McCann, Owen Anthony Haig Sims, James William Bradshaw, Peter C.D. Best and G.C. Donley (limited partner).

327PA

J. H. Crang & Co.

12. ACCEPTANCE. As evidence of your acceptance of this offer and your agreement to observe the terms hereof, please sign and return the signed duplicate copy of this agreement to J.H. Crang & Co., 20 King Street West, Toronto, Ontario (Attention: M.J. Howe).

Yours very truly,

J.H. CRANG & CO.

by:

_____

Partner

Accepted September , 1969.

_____

_____

328 PA
Exhibit I to Aff. dated of Murray J. Howe
Sworn to April 28, 1972

QUEBEC SECURITIES COMMISSION

1253 McGill College Avenue

Montreal 110

September 24, 1969

Messrs. Zimmerman & Winters
199 Bay Street
Toronto (1)
Ontario

Attention: Mr. W.H. Zimmerman

RE: I.O.S., LTD. - $15,660,000.
1,450,000 Common Shares (of the par value of 25¢ (United States currency) each

Dear Sirs:

We are instructed to inform you that by Resolution No. 380, dated September 24, 1969, the Commission has permitted trading, by brokers registered with it, the 1,300,000 of the common shares offered, forming part of the above mentioned issue, described in the offering circular filed with it.

By the same Resolution, the Commission has also permitted the distribution, by J.H. Crang & Co., of the remaining 150,000 common shares offered, to executives and sales personnel of The I.O.S. Group and to certain shareholders of I.O.S. Regent Fund Ltd and I.O.S. Venture Fund Ltd.

The Commission, by the same Resolution, has also accepted for filing this offering circular dated September 22, 1969 and has permitted its distribution to the public in its final form.

In accordance with Section 50 of the Securities Act, these securities may, therefore, be the object of an initial sale, offer for sale or distribution to the public in Quebec.

Please note that these securities may not be delivered unless the company and the underwriter have previously been supplied with a favourable legal opinion as to the validity of the issue.

Kindly forward us a duly executed copy of each of the following documents, as soon as they are available:

329 PA

Messrs. Zimmerman & Winters Montreal, September 24, 1969

a) Cross Reference Sheet;

b) Legal Opinion;

c) Underwriting Agreement;

d) Material contracts mentioned on pages 36 and 37 of the prospectus.

In addition, will you please transmit to us, as soon as possible, a specimen of the Share Certificate and three commercial copies of the prospectus.

In connection with this issue and in accordance with Section 20 of the Act, as amended, the Commission grants the company an exemption from registration.

We acknowledge, with thanks, payment of our fees in the amount of $300. and we are returning herewith a cheque in the amount of $100. made to the wrong payee.

Yours very truly,

QUEBEC SECURITIES COMMISSION

per: Maurice Cusson

(MAURICE CUSSON, C.A.)

FL

330 PA

123 EDWARD STREET
TORONTO, ONTARIO
NEW ADDRESS
555 YONGE STREET,
TORONTO 5, ONTARIO

ONTARIO SECURITIES COMMISSION

IN THE MATTER OF THE SECURITIES ACT, 1966

AND

IN THE MATTER OF

I.O.S.. LTD.

Receipt for (Final) prospectus dated September 22,1969, ~~1968~~, relating to the securities of the above Issuer is hereby issued pursuant to subsection 1 of section 61 of the Act.

DATED at Toronto this 23rd day of September, ~~1968~~1969.

Associate/Deputy/Director

TO: Messrs. Zimmerman & Winters,
Barristers & Solicitors,
199 Bay Street,
TORONTO.

Attention Mr. G.S. Bennett.

331 PA

B - 133

MANITOBA

THE SECURITIES ACT, 1968

RECEIPT FOR FINAL PROSPECTUS

Receipt is hereby acknowledged of a final prospectus dated September 22, 1969,

of I.O.S., Ltd.

for the sale of $15,660,000
1,450,000 Common Shares
(of the par value of 25¢ (United States currency) each)

Issued at Winnipeg, Manitoba, this 24th day of September, 1969.

Filing fee Receipt No. 477

Date of issue of receipt for preliminary prospectus: Sept. 12, 1969

Director,
The Manitoba Securities Commission

332 PA

Province of Saskatchewan

SASKATCHEWAN SECURITIES COMMISSION

DEPARTMENT OF THE ATTORNEY GENERAL

ROOM 15. COURT HOUSE. REGINA

September 24th, 1969.

Messrs. Zimmerman & Winters,
Barristers and Solicitors,
199 Bay Street,
Toronto 1, Ontario.

Attention: Mr. Bennett.

Dear Sirs:

Re: I.O.S. Ltd. -
Offering of 1,450,000 Common
Shares.

Pursuant to subsection (1) of Section 68 of The Securities Act, 1967, I hereby acknowledge and issue receipt for the prospectus dated September 22nd, 1969, relating to the above offering of securities.

Yours very truly,

A. Zimmerman,
Registrar,
Sask. Securities Commission.

AZ-lw

FILED
SEP 26 1969
ZIMMERMAN &
WINTERS

333 PA

ALBERTA

ALBERTA SECURITIES COMMISSION

TELEX 037-2701
403 EMPIRE BUILDING.
EDMONTON 15. ALBERTA.

24 September, 1969,
Our file: B/2285.

Zimmerman & Winters,
Barristers and Solicitors,
199 Bay Street,
TORONTO 1, Ontario.

Attn: Mr. G. S. Bennett

Dear Sir:

Re: I.O.S., Ltd.

Further to your recent submission in the above regard, we now enclose our certificate B-2 No. 388, Receipt for the Filing of a Final Prospectus, issued in favour of the above-named Company, under the provisions of The Securities Act, 1967, Alberta.

Please forward three commercial copies of the above prospectus to this office as soon as they are available.

Yours very truly,

P. F. Newhouse,
Registrar.

FILED
SEP 26
ZIMMERMAN &
WINTERS

PFN:blc

Encl. 1

334PA

In reply please refer to File: B/2286

GOVERNMENT OF THE PROVINCE OF ALBERTA

THE SECURITIES ACT, 1967

B-2 No. 388

RECEIPT FOR THE FILING OF A FINAL PROSPECTUS

dated September 22, 1969

on behalf of I.O.S., Ltd.

an industrial ☑
investment ☐
mining ☐
mutual fund ☐

company, authorizing the sale to the public in the province of Alberta of the securities described hereunder:

$15,660,000 -- 1,450,000 Common Shares of the above Company, at a price to the public of Alberta of $10.80 per share, according to the terms and conditions of the prospectus accepted for filing this date.

Application No. 69/1354 Receipt No. 58084-W

DATED at Edmonton, in the Province of Alberta, this 24th day of September A.D. 1969

NOTE: Your attention is directed to the provisions of Section 56 of The Securities Act, 1967.

ALBERTA SECURITIES COMMISSION

Per: P. F. Newhouse,
Registrar

335 PA

LAW COURTS BUILDING
VICTORIA, B.C., September 24, 1969

BRITISH COLUMBIA SECURITIES COMMISSION

Zimmerman, Winters, Morley & Company
Barristers & Solicitors
199 Bay Street
Toronto 1, Ontario

Attention: G. S. Bennett

Dear Sirs:

Re: I. O. S. Ltd.
Prospectus dated September 22, 1969

Receipt is hereby acknowledged of the material required by Part VII of the Securities Act, 1967.

Responsibility for compliance with all the provisions of the Securities Act, 1967 rests entirely with the applicant.

Reproduction of this letter as part of the material required under section 60 of the Securities Act is prohibited.

The Commission requires that three printed copies of the prospectus be submitted in the form to be used for delivery pursuant to section 60 of the Securities Act, 1967.

Receipt No. 1304 A covering the filing fee of $150.00 is enclosed.

Yours very truly,

W. S. Irwin
Superintendent of Brokers
B. C. Securities Commission

FILED
SEP 26 1969
ZIMMERMAN &
WINTE...

NOTE: SUBJECT TO THE PROVISIONS OF PART VII, SECTION 53 OF THE SECURITIES ACT A NEW FILING SHOULD BE MADE WITHIN A PERIOD OF ONE YEAR AND TWENTY DAYS FROM THE DATE OF THE PROSPECTUS IF THE SECURITIES ARE STILL IN THE COURSE OF PRIMARY DISTRIBUTION.

WS/cd

336 PA

PROVINCE OF BRITISH COLUMBIA

RECEIPT

No. 13404 A

THE SUM OF Fifty ——— DOLLARS ($ 50.00)

RECEIVED FROM Jean Vandenhoven & Associates Limited

IN ACCOUNT OF: Filing fee for prospecting JCA #1

Lands Dept
ISSUING OFFICE

Apr 14 1967

[illegible]
SIGNING OFFICER

337 PA

SECURITIES ACT
OFFICE OF THE ADMINISTRATOR
PROVINCIAL BUILDING
110 CHARLOTTE STREET
SAINT JOHN, NEW BRUNSWICK

THE GOVERNMENT OF THE PROVINCE OF NEW BRUNSWICK
LE GOUVERNEMENT DE LA PROVINCE DU NOUVEAU-BRUNSWICK

LOI DES VALEURS MOBILIÈRES
BUREAU DE L'ADMINISTRATEUR
EDIFICE PROVINCIAL
110, RUE CHARLOTTE
SAINT-JEAN, N.-B.

September 25th, 1969

Messrs. Zimmerman & Winters
Barristers and Solicitors
199 Bay Street
TORONTO 1, Ontario

Attention: G. S. Bennett, Esquire

Dear Sir: Re: I.O.S., Ltd.

This will acknowledge your registered letter dated September 22nd, 1969 which was received in this office this morning.

Enclosed is Certificate of Registration No. 551 and receipt for $50. This Certificate relates to the securities forming the whole or part of the issue described in the prospectus of September 22, 1969.

Responsibility for compliance with the Securities Act of New Brunswick rests entirely with the applicant.

If the securities are to be in the course of primary distribution after September 25th, 1970, a new prospectus should be filed on or before that date.

These shares are to be sold in New Brunswick only through Brokers registered herein.

This Prospectus has been issued subject to the filing in due course of underwriting agreement which you stated has not yet been received from London, England in final copy.

Yours truly

W. E. Clarke, Q.C.
Administrator

WEC/jc

Enclosures 2

RECEIVED SEP 26 1969 ZIMMERMAN & WINTERS

338 PA

$15,660,000 - 1,450,000 Common Shares

~~Security Issuer~~
~~Broker (General)~~
~~Broker (Non-Resident)~~
~~Salesman~~

CERTIFICATE OF REGISTRATION

No. 551

This is to Certify, that I.O.S., LTD.

has made application to the New Brunswick Board of Public Utilities for permission to do business in said Province under the provisions of The Security Frauds Prevention Act as a Security Issuer/~~Broker (General)/Broker (Non-Resident)/Salesman~~ and that the said SECURITY ISSUER ~~/Broker/Salesman~~ has complied with the provisions of the said Act. Detailed information in regard to the Company and its securities ~~of the Broker/Salesman~~ is on file at the office of the Registrar, for public inspection and information, and that SECURITY ISSUER is permitted to do business in the Province of New Brunswick.

NOTICE. The attention of the public is directed to the fact that, while the holder of this certificate of registration is authorized to sell securities in the Province of New Brunswick, under the provisions of "the Security Frauds Prevention Act," the Board of Commissioners of Public Utilities is no wise recommends the securities offered for sale by the holder of this certificate, as an investment.

Dated at 25th day of September 19 69

This Certificate expires September 25th 1970

By Order of The Board

[signature] Registrar

339 PA

ATTORNEY GENERAL

CHARLOTTETOWN

P. O. Box 2000,
24 September 1969.

Messrs. Zimmerman & Winters,
Barristers and Solicitors,
199 Bay Street,
TORONTO, 1, ONTARIO.

Dear Sirs:

I. O. S. LIMITED

Information satisfactory to the Registrar has now been received and final registration of the above noted issue is hereby granted under the provisions of the Security Frauds Prevention Act.

Yours very truly,

J. A. McGuigan, Registrar,
Security Frauds Prevention Act.

JAMcG:mm

340 PA

ATTORNEY GENERAL

CHARLOTTETOWN

P. O. Box 2000,
24 September 1969.

Messrs. Zimmerman & Winters
Barristers and Solicitors,
199 Bay Street,
TORONTO, 1, ONT.

Dear Sirs:

I. O. S. LIMITED

Receipt is acknowledged of your letter of September 22nd., enclosing the following documents in connection with the above issue:

1. Manually signed copy of the final Prospectus relating to an offering of common shares of the above Company;

2. Signed Powers of Attorney for all directors (with the exception of Count Bernadotte and Mr. Tregea) who did not sign the Prospectus in person. We note that powers of attorney for Count Bernadotte and Mr. Tregea will be forwarded to this office as soon as received by you.

3. Notarial copy of the Receipt issued by the Ontario Securities Commission;

4. Your cheque in the amount of $10.00 for filing fee.

Official Receipt No. 4208 for $10.00 filing fee is attached hereto.

Final registration of the above is enclosed.

Yours very truly,

J. A. McGuigan, Registrar,
Security Frauds Prevention Act.

JAMcG:mm

Encls -2-

341 PA

PROVINCE of PRINCE EDWARD ISLAND
TREASURY DEPARTMENT RECEIPT

Date 1-24-1969

10	00

RECEIVED FROM Zimmerman & Winters

AMOUNT Two — Dollars — X+ Rec — CODE

FOR: Subscription of P.O.S. Ed. under Security Frauds Prevention Act

SEP-24-69 00145 A — — SUN 11

No. 4208

Kathleen MacLeod
Cashier

342 PA

REGISTRAR UNDER THE SECURITIES ACT
NOVA SCOTIA

Halifax, September 25, 1969

Mr. G. S. Bennett
Zimmerman & Winters
Barristers and Solicitors
199 Bay Street
Toronto 1, Ontario

Dear Sir:

Re: I. O. S., Ltd. - 1,450,000 Common Shares $15,660,000.

Information satisfactory to the Registrar has now been received and final registration under the Securities Act is hereby granted for the above mentioned issue.

Enclosed herewith is official receipt No. G 47648 in the amount of $50.00 to cover your remittance.

Yours very truly,

G. W. Davis

~~W. F. Grant~~

Registrar under the Securities Act

Note: Pursuant to the provisions of Chapter ~~261~~ 280, R. S. N. S. 1967 ~~1954~~, a new registration statement should be filed within a period of twenty days from Sept. 25, 1970 if the securities are still in course of primary distribution.

RECEIVED
SEP 29 1969
ZIMMERMAN & WINTERS

343PA

Province of Nova Scotia
DEPARTMENT OF PROVINCIAL SECRETARY
HALIFAX, NOVA SCOTIA

No. 647648

[illegible] Ltd.
chq c/o [illegible]rman & Winters
[illegible]ters
[illegible] Street
[illegible]to 1, Ontario

OFFICIAL RECEIPT-when imprinted by receipting machine

DATE	SYMBOLS		PAID	RECEIVED BY
SEP 23-69SEC	A	*	50.00	

REMITTANCE FROM (if other than shown above)

☐ CORPNS. REG. ACT ☐ COMPANIES ACT

☐ PART. & BUS. NAMES REG. ACT

☐ COOPERATIVE ASSOCIATIONS ACT.

☒ SECURITIES ACT
Registration Security Issue

☐ .....

344 PA

GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

DEPARTMENT OF JUSTICE

Registry of Deeds,
Companies and Securities

ST. JOHN'S
September 25, 1969

Mr. G.S. Bennett,
Messrs. Zimmerman & Winters,
Barristers and Solicitors,
199 Bay Street,
Toronto 1,
Ontario.

Dear Mr. Bennett:

Re: I.O.S. Ltd
$15,660,000 -
1,450,000 Common shares
Our File No. S.I. 321

I am in receipt of your letter of September 22, with the following items relating to the above noted issue of securities:

1. Manually signed copy of prospectus (final form) dated September 22, 1969, with supporting documents.

2. Certified copy of letter of acceptance of prospectus by the Ontario Securities Commission.

3. Statutory fee by cheque in the amount of $75.00.

By virtue of the discretionary powers vested in me under Regulation 20 of The Securities Act (Nfld), I have accepted this prospectus for filing as of September 25 1969, in lieu of the Registration Statement required under Section 11 of the said Act.

The securities noted above may be traded here by Brokers duly registered under The Securities Act (Nfld).

A new filing should be made within twenty days after September 22, 1970, if the securities are still in the Course of primary distribution.

Our Official Receipt No. 4319 is enclosed herewith.

Yours very truly

I.A. RICHARDS, F.C.I.S.
REGISTRAR
DEEDS, COMPANIES & SECURITIES

R/f

345 PA

GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

OFFICIAL RECEIPT

REGISTRY OF DEEDS, COMPANIES & SECURITIES

DEPARTMENT OF JUSTICE

Date Sept 26 19 69 Receipt No 4319

Received from Messrs. Zimmerman & Wilkins

Address 199 Bay Street, Toronto 1, Ontario

The sum of Seventy-five ___/100 Dollars $ 75.00

Cash ☐ Money Order ☐ Cheque ☑

Other ☐ (Specify) ___

Deeds ___ Amount $ ___

Companies ___ Amount $ ___

Securities L.C.A. Ltd Prospectus Amount $ 75.00

Other (Specify) ___ Amount $ ___

Other (Specify) ___ Amount $ ___

Total $ 75.00

Department of Justice Sub-Head 716/10/018

H Fenton

REGISTRAR

346 PA.
Affidavit of Murray J. Howe
Sworn to July 4, 1974

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HOWARD BERSCH,

Plaintiff,

-against-

DREXEL FIRESTONE INC., et al.,

Defendants.

Index No.
71 CIV. 5373
(R.C.C.)

AFFIDAVIT

DOMINION OF CANADA)
: ss.:
PROVINCE OF ONTARIO)

MURRAY J. HOWE, being duly sworn, deposes and says:

1. I am Managing Director of Crang & Osteguy, Inc. I make this affidavit in reply to the memorandum submitted by the plaintiff, Howard Bersch ("Bersch") in opposition to defendant J. H. Crang & Co.'s ("Crang") motion to dismiss the complaint. The complaint herein is based on three underwritings of shares issued by I.O.S. Ltd., including an underwriting in Canada in which Crang was the banking group manager. I, as a partner in J. H. Crang from 1960 to 1970, was in charge of and personally handled the Canadian underwriting and, accordingly, make this affidavit on knowledge.

2. Plaintiff Bersch assumes that the negotiations concerning the underwriting agreement of Crang and certain non-resident American shareholders of I.O.S. Ltd. (see Exhibit C to my affidavit of April 28, 1972 herein) "took place in the United States and utilized the mails or other instrumentalities of interstate commerce." (Plaintiff's Memo of Law p. 69). This assumption is erroneous. No negotiations or discussions relating to the underwriting agreement were

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ever held in the United States and the United States mails and facilities of interstate commerce were not utilized in any way. The underwriting agreement was negotiated and signed in Switzerland and Canada and payment pursuant thereto was made in London, England.

Murray J. Howe

Sworn to before me this
4th day of July, 1974.

Harold R Russell Hugh Berry

A Notary Public in and for
the Province of Ontario

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Additional Excerpts from Deposition of Murray J. Howe
taken June 6, 1973

Crang & Osteguy, Inc.

Q When did you become managing director?

A June 1, 1972.

Q Prior to June 1, what was your principal occupation?

A President of J. H. Crang & Co., Limited. "Limited," spelled out.

Q How long were you president of J. H. Crang & Co., Limited?

A Since April 1, 1970.

Q Prior to April 1, 1970, were you employed by J. H. Crang & Co., Limited?

A No. I was a partner of J. H. Crang & Co.

Q During what period of time were you a partner of J. H. Crang & Co.?

A Since 1960.

Q In the year 1969, what were your responsibilities as a partner of J. H. Crang & Co.?

A I was in charge of the trading facility of the Toronto or the various Canadian stock exchanges, was my principal function.

Q Are the companies that you have mentioned all predecessor companies of J. H. Crang, of the partnership, J. H. Crang & Company?

A J. H. Crang & Co., Limited is. I am not sure of the legal interpretation here, but I don't think that Crang & Osteguy, Inc. is.

Q Is there a J. H. Crang & Co., Limited now engaged in business?

A No.

Q Has its business activities been undertaken by Crang & Osteguy, Inc.?

A J. H. Crang & Co., Limited is still a legal entity. It is presently called J. H. Holdings, Limited.

Q Are its business activities conducted by any other company?

A Well, what happened in June or May 31, 1972, is the assets and stated liabilities of J. H. Crang & Co., Limited were sold to Morgan, Osteguy & Howdon, Inc., and the name was changed then to Crang & Osteguy.

Q In 1969 did J. H. Crang & Company have a partner whose principal duties were in the field of underwriting?

A Not principal duties. Any underwriting activity we engaged in came under myself and Eric Scott.

Q Prior to 1969, had J. H. Crang & Company performed any services for IOS or any of its affiliates?

Q Anybody else?

A Research department. No, no one else, principally.

Q Did Crang & Company engage a law firm to help it in the IOS, Limited underwriting?

A Yes, we did.

Q What law firm?

A Zimmerman--at that time Zimmerman & Winters.

Q Who were the partners there who worked on it?

A Bill Zimmerman, Gilbert Bennett, and they had a couple of junior people in the firm that did some work for them; I don't recall their names.

Q Did you engage an accounting firm?

A No, we didn't.

Q Did you engage any American attorneys?

A No.

Q Any European attorneys?

A No.

Q Did you consult with any American attorneys?

A In connection with the prospective underwriting which--

Q In connection with the prospectus?

A No.

Q In connection with the underwriting?

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Q In connection with the IOS secondary offering, IOS, Limited secondary offering that took place in September of 1969, did you attend any meetings outside of Canada in which that offering was discussed?

A Yes.

Q When was the first such meeting?

A To the best of my recollection, the first meeting was by, was either by phone or in person with Edward Cowett in Geneva, and that was about the first part of April.

Q What was discussed at that first meeting?

A Pardon me?

Q What was discussed at that first meeting?

A The concept of IOS, Ltd. going public; strictly conceptual at that point.

Q Was it just you and Mr. Cowett, or anybody else?

A Bill Zimmerman of Zimmerman & Winter may have been there; I just simply don't recall.

Q And you can't recall whether that was a face to face meeting or a telephone conversation?

A No. I haven't had a chance to check my date books and with our travel agent, to see whether I was in Geneva at that time, up to this point.

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(Telex addressed to Mr. Cowett dated August 25, 1969 marked Howe's Exhibit 2 for identification as of this date.)

Q Mr. Howe, I show you Exhibits 1 and 2 and ask you if those are the writings that you had reference to in your last few answers?

A That is correct.

Q Was there a third meeting outside of Canada?

A Again, I haven't got these dates, but there were several meetings from that point on, that either took place in Toronto, Montreal or Geneva. I think one took place in London, as I recall, London, England.

Q The meetings in Geneva, who was present?

A It would be a combination of people. It would be myself at every meeting, and either or, and Bill Zimmerman, or Gilbert Bennett.

Q Who is Gilbert Bennett?

A A partner of Zimmerman & Winters.

Q What other people were present at the meetings in Geneva?

A Well, from the IOS side there were various occasions, there would be always pretty well Mr. Cowett, Jay Leary, and on occasion Ken Beaugrand, and various officials of IOS.

In our gathering of information for prospectus purposes and our endeavor to understand more about IOS, Ltd., there would be the accountants, there would be the people from various facets, the sales area, management area, fund management area, etcetera.

Q Any outside accountants?

A To the best of my recollection, we had two or three meetings with a representative of Arthur Andersen from, I believe it was their Paris office. Now, I may be wrong about that; it could be the London office.

Q What was his name?

A I just can't recall his name; I just have no idea.

Q Where did the meeting take place?

A In Ed Cowett's office in Geneva.

Q At the meetings in Geneva, were there any persons from Drexel present?

A Again, to the best of my recollection, I met one person from Drexel in Ed Cowett's office on one occasion. And on that occasion there was no discussion concerning the underwriting itself.

Ed Cowett introduced me to him; I can't remember his name. I gathered it was one of the senior partners, a senior executive of Drexel, Drexel

Firestone.

Q How long did that representative of Drexel remain in your presence?

A Twenty minutes.

Q Did you know at the time that Drexel was engaged in a primary underwriting?

A Yes. Mr. Cowett had told me that it appeared that Drexel Harriman was going to head up the treasury offering of IOS, Ltd.

Q What did you discuss with the Drexel representative?

A I think we talked about the investment business. I did mention just before we broke up that we were looking at, we, J. H. Crang & Co., were looking at and considering doing a secondary offering of IOS, Ltd. in Canada.

I am sorry, I can't remember this gentleman. It was not Coleman; I talked to him on the phone once and met him once, I think, after the underwriting was done.

Q While you were in Geneva were you introduced to any partners or associates of the law firm of Shearman & Sterling?

A Yes. I met a, who I assume was one of their

partners, a tall, very heavy fellow. I am sorry, I just can't remember his name, because I just met him.

Q Where did you meet him?

A On the sixth floor of the IOS, Ltd. building in Geneva.

Q Whose office?

A It was either in Ed Cowett's office or just outside Cowett's office.

Q How long did the meeting take?

A Three and a half minutes.

Q You don't recall during your meetings in Geneva, meeting any other attorneys associated with Shearman & Sterling?

A No, that was the only man I met.

Q Did you have any phone calls with any persons associated with Shearman & Sterling?

A No. I have been giving a lot of thought to that question last evening; I didn't receive, to the best of my recollection, I didn't receive a call directly.

I think that Bill Zimmerman passed along two messages to me in connection with that legal firm. One was when the shares were called for trading on the Toronto Stock Exchange, that we had invited Drexel

Harriman to attend the first trading session, which was kind of traditional in the Toronto Stock Exchange. And I think the message I got from him was that their lawyer, Murphy Grayson, or Grayson Murphy, is it, said no, with thanks.

The other one was, I am not too sure of this at all, but I think it was in connection with, just prior to the underwriting becoming effective, the problem that IOS had with the SEC, and something to do with a pass-over of the prospectus in connection with the primary offering, which was then verified with our securities commission, and we were told by them to ignore it.

Q Did you get information about the SEC problem from a partner in Shearman & Sterling?

A Did I personally?

Q Did you personally.

A No.

Q How did that information come to your attention?

A Again, I am almost sure it was either through Bill Zimmerman or Gilbert Bennett at Zimmerman & Winters.

The reason I say that, I think it is only natural for the lawyers to call the lawyers. And I am

almost positive that I never spoke even on the phone to anybody at Drexel or at that legal firm.

Q In all contacts between Shearman & Sterling and Crang, it would come through Crang's attorneys, the Zimmerman & Winters firm?

MR. PHILLIPS: I object to the form of the question. The witness has told you of the two instances where he has knowledge of such a contact being made; and whether there were any others is speculative.

A I have no knowledge of any others.

Q You don't know whether there were more or not; is that right?

A That's correct. I assume our attorneys would tell us if there had been others, but that is the only two I am aware of.

Q Did you meet in Geneva with any attorneys who were partners or associates of the law firm of Willkie, Farr & Gallagher?

A In connection with the underwritings specifically, or just meeting them in Geneva?

Q First just meeting them in Geneva.

A Oh, yes, yes. I met, on different occasions I met Ray Merritt, and I think John D'Alimonte.

Q Were these meetings at or about the time Crang was engaged in the preparation of its prospectus for the IOS, Limited offering?

A Yes.

You keep calling them meetings; that is not correct. You know, I would simply run into them, either in the building of IOS or at the hotel, or have a social meeting with them.

I never discussed the Canadian underwriting with anyone from Willkie, Farr; the specific Canadian underwriting of IOS, Ltd. with anyone from Willkie, Farr.

Q Did you discuss with anyone from Willkie, Farr IOS' operations?

A I am sure I did, because I discussed them with a vast number of people, anyone that I could come in contact with in Geneva, in connection with the company.

Q How often do you come to New York?

A Currently, or during that period?

Q During that period.

A And what period are we speaking of?

Q 1969.

A The total year 1969?

Q The total year.

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suite in the Carlyle the morning you had breakfast with him?

A I was not in his room. I met him in the restaurant.

Q Do you know whether Mr. Cowett had a suite at the Regency?

A No, I don't.

Q Were you ever invited to the Regency by Mr. Cowett in 1969?

A Yes. Again, I met him for, it was either breakfast--it was for breakfast, and I met him downstairs in the lobby.

Q In the Regency?

A Yes.

Q What time, what period? What month, is what I mean.

A To the best of my recollection, I think that was July; I am not sure.

Q Was that a chance meeting, or was that meeting arranged?

A I think that one was arranged when I was speaking to him in Geneva concerning what I thought was a potential problem in Trans-Global.

Q Did you arrange the meeting or did he?

A I think it was mutual. I probably arranged it, because it was me that wanted to see him.

Q Who suggested--

A I mean--.

Q I am sorry, go ahead.

A You go ahead.

Q You believe it was you who arranged the meeting?

A I think it was me that probably arranged the meeting, because I wanted to see him concerning the business of Trans-Global.

Q Where did you call him?

A Geneva.

Q Did you write or call or both?

A I would have called or telexed.

Q And do you recall whether he called back or telexed back?

A Well, I am sure he must have, because the meeting was arranged. I wouldn't have come down on a quarter to seven flight to New York for nothing.

Q What time of day did you meet him?

A These were usually at 8:30, 9:00 o'clock in the morning.

Q You didn't come to New York the night before?

life style is relevant.

A If I was by myself I had a room; if I brought my wife down on occasion, I would t. a small suite.

Q To whom did you charge the cost?

A J. H. Crang & Co. for my portion. My wife's portion was picked up by myself.

Q I don't want that--

A You asked the question.

Q I am sorry.

In July of 1969 at the breakfast meeting with Mr. Cowett, did you discuss the IOS, Limited secondary?

A I don't specifically recall, but I must have, because it was a very exciting thing; we were in the middle of preparing a draft prospectus back in Canada. I am sure that I must have discussed the IOS, Ltd. secondary.

Q Was Mr. Cowett participating in the preparation of the Canadian prospectus?

A Again, to the best of my recollection, Gil Bennett, when we would complete a draft, Gil Bennett would either send or go to Geneva himself to discuss with the "management" of IOS, Ltd. that prospectus.

Q And the management person with whom Bennett would hold this discussion was Ed Cowett; isn't that

correct?

A We would hold discussions with other people too, but mainly with Cowett, because Cowett was representing as agent all the selling shareholders.

Q To the best of your recollection, did Cowett participate in any way in the preparation of the Canadian prospectus?

A Well, I can remember our lawyer saying, on occasion, that Ed Cowett, being a lawyer, he had a tendency to try to tell you how to write a prospectus, but they resisted this. But I know that there was interchange from time to time.

Q In the meeting in July, did you discuss the draft prospectus with Mr. Cowett?

MR. STRUVE: Objection. There is only testimony as to one draft prospectus, and that is the IOS secondary in Canada.

THE WITNESS: I understand the question; did I discuss the draft prospectus of the Canadian underwriting with Ed Cowett in the meeting that we had approximately in July.

A I may have referred to the prospectus. I certainly didn't have a draft with me, because I had been told under pain of mortal sin to never bring a

prospectus to the United States.

Q Who told you?

A Cowett.

Q When did he tell you that?

A I think when we first discussed pairing the Canadian part of the underwriting.

MR. SILVERMAN: Would you read back that answer?

(Whereupon, the reporter read back the previous answer.)

Q What do you mean by "pairing the Canadian"--

A Preparing.

Q Oh, preparing.

Isn't it true, Mr. Howe, that Crang & Company mailed prospectuses, mailed its Canadian prospectus to brokerage houses in the United States, with a stamp on it, "For information only"?

A After the underwriting became effective, yes.

Q Any preliminary prospectus given to U. S. brokerage firms?

A No. Our records indicate, because we are under Canadian securities laws, we have to keep track of where preliminary prospectuses go, by numbers.

To the best of my personal knowledge, there

was never a draft prospectus or preliminary prospectus, rather, mailed to anyone in the United States.

These simply, after the offering became effective, which is traditional in our industry that we receive a request, because it goes both ways, for a prospectus, even though it is very clear on the front that it is to be offered in Canada only, we use the rubber stamp.

Q Do you have any knowledge or information as to whether Mr. Bennett or any other partner of Zimmerman & Winters made a draft prospectus available to any Americans, including attorneys?

A I don't have any first-hand knowledge that he didn't; I know that he was instructed to not do so.

Q By whom was he instructed?

A Myself.

Q How long did the meeting, the breakfast meeting in July 1969, last?

A Three quarters of an hour to an hour.

Q Was there anybody else present besides yourself and Mr. Cowett?

A No.

Q Did you prepare a memorandum about that meeting?

A For my files, no.

Q For any other purpose?

A No.

Q Is there any written document that you prepared that evidenced that meeting in July 1969?

A No. There may be something in my ISM file; I haven't checked. Because the meeting, as I said, was principally to discuss ISM and the forthcoming dividend in connection with the listing on the Toronto Stock Exchange.

Q Did you ever meet in 1969 with Mr. Cowett in Toronto?

A Yes. It was either Toronto or Montreal.

Q On how many occasions?

A To the best of my recollection, once. It may have been twice.

Q Who was present?

A Either Bill Zimmerman or Gilbert Bennett. And I seem to recall that when we met in Montreal that, I can't be sure of this, that Ken Beaugrand may have been there.

Q What was discussed at the Canadian meeting that you have just testified to? What was the subject matter?

A The Canadian underwriting.

Q Any other matters?

A Just, I am sure that we discussed, also just between Cowett and myself, ISM. And we also discussed on several occasions the whole concept of ISO, Ltd. and a list of questions we would have concerning the operations and the sales area, or whatever.

Q Did you keep that list? Do you have a copy of it?

A I can't really say; I don't think it's in my files. It may be in the files of Zimmerman & Winters.

MR. SILVERMAN: Mr. Phillips, if that list is in the files of Crang's attorneys in Canada, I call for its production.

MR. PHILLIPS: I will take your request under advisement. But my present inclination is to, not to produce it, since I don't think it has any relevance to what, the subject matter of personal jurisdiction, since the witness testified it was utilized in Canada.

Q After your meeting with Mr. Cowett in July of 1969, what did you do?

A We went back to Canada and we started to work full time.

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Q Were there any other meetings which you attended outside of Canada in 1969, in connection with the IOS secondary offering?

A Any other meetings but what?

Q But the ones you have already testified to.

A Well, I think I testified that I attended a number of meetings in Geneva; I don't recall the exact number. I know I was in Geneva off and on through the months of, the month of August, in connection with the Canadian underwriting.

Q Do you know whether if, in 1969, IOS had any American subsidiaries or affiliates?

A American being defined as U. S. legal entities?

Q Yes.

A No, I was not aware of any.

Q Did they have any companies that may have been foreign entities, based in the United States; to the best of your knowledge?

A To the best of my knowledge, no.

Q Did you ever hear of Ampersand?

A No, that name means absolutely nothing to me.

Q Were you aware of IOS' activities in Florida, real estate activities in Florida in 1969?

A In 1969? Not in 1969, as I recall.

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think that it would be Drexel's group and the company.

Q What is the basis of your assumption?

A Well, because of the magnitude of the size of the separate issue they were doing.

All we had made it very clear is that whether an issue is primary, secondary, that an offering that takes place, you can't expect the public to pay less or more than what the whole underwriting develops.

Q And there would have to be conformity as to the offering date, would there not?

A No, not necessarily. As a matter of fact we, again, to the best of my recollection, we didn't even know when the Drexel group started to offer in their underwriting in Europe; we didn't know the specific date.

Q Was it the same date that, your offering and their offering?

A I don't think it was. I think when we got our various--I think you must know how this, must understand how this works.

We in Canada have eleven regulatory jurisdictions; we don't have an SEC. So that each province, because it was being done in all the provinces, each province had to be cleared, the prospectus had

to be cleared.

So you had eleven regulatory bodies giving you fiduciary letters, where you had to--so you had to put all that timing in. When you finally got all that timing, we went.

Now, whether that was the same date, my recollection was that it was not the same date.

Q When did you go?

A It was obviously in September. I just can't remember the specific date. I would have to refresh my memory.

Q Was there a joint closing?

A What do you call a joint closing?

Q Did it close, did the closing take place on the same day?

A Yes. That was in London, England.

Q And representatives of Drexel were there, and you were there?

A I was there with our counsel. We closed separately, without the Drexel people.

In fact, I saw a lot of people milling around I had never seen before in my life. But we went into a room and closed separately on this Canadian underwriting.

Q Now, in paragraph number 7 you ask Mr. Cowett

whether there has been any substantial change in his thinking since your discussion in New York regarding the capitalization of the new corporate vehicle, in terms of the public offering, dividend policy restrictions, etcetera.

My question to you is, did he reply to paragraph 7, to the question you posed in paragraph 7?

A Not right away. It just developed.

Again, please keep in mind that this was totally conceptual at this time. It was a conceptual underwriting.

Q But you did discuss with Mr. Cowett in New York the capitalization of the new entity whose shares would be offered?

A In general terms, yes.

Q Its dividend policy, etcetera?

A In general terms, yes.

Let me make it very clear that we did not discuss the deal, or in fact, cut a deal until much later on.

Q Did you discuss conceptually the market price or the formula for determining market price?

A No.

Q Did you discuss price/earnings ratio with Mr.

A I have read it.

Q Did you prepare Exhibit 4?

A Yes, I did.

Q At the time you prepared Exhibit 4, was the information contained in the second paragraph I have asked you to read, true, to the best of your information and belief?

A Yes, to the best of my information and belief.

Q Now, in the paragraph entitled "Conditions of Canadian offering," number 4 recites "No shares in Canadian offering may be offered or sold outside of Canada," does it not?

A Yes.

Q In fact, that condition was not observed; is that true?

A It was observed as far as this memorandum was concerned to our registered representative. That is the reason that was put in there; it was instructions to our J. H. Crang & Co.'s registered reps; it was not to the backing group managers.

Q Were other members of the Crang syndicate permitted to sell IOS securities abroad?

A By "syndicate," you mean backing group?

Q Yes.

A Yes, the backing group was.

The reason for this, it had come up at the last minute with the Canadian firms with their head offices in Canada, and were getting pressure put on their branches or affiliates in mainly London and in Europe. And they requested that they be allowed to sell a certain amount of the Canadian underwriting through their own facilities, their own branch or affiliate, in specifically England and Europe, and one in the Bahamas.

Q Were there any conditions attached to the sale abroad of--

A The same conditions that applied to the Canadian, in relation--the conditions were as stated in the backing group agreement, that they were to not sell to U. S. residents. But in addition to that, which was very strange to them, but we had a lot of problem with it, to endeavor to use their best efforts to not to sell to a U. S. citizen, wherever resident.

Q Did you have to get permission for these firms to sell the shares abroad?

A Yes. I discussed it with Ed Cowett.

Q And did he tell you that he was going to discuss it with anybody else?

A No, he told me it was all right; go ahead.

Q When did you discuss it with Mr. Cowett?

A Again, I recall it was almost at the, just prior to the effective date of the Canadian underwriting, when we were endeavoring to nail all the pieces in the backing group. I just can't remember the specific date.

Q Did you speak to him on the telephone or in person?

A Yes, I spoke to him on the telephone.

Q Did he reply immediately or did he call you back?

A Yes, he replied immediately.

Q He said it was all right to do it?

A To the best of my recollection, yes.

Q Do you know whether the Canadian firms who had offices abroad and sold some of the securities abroad, sold the securities before the Drexel group sold its securities?

A I just don't know. I would assume they would operate in the usual manner of a Canadian underwriting, which is that you are not permitted to solicit orders until the prospectus becomes effective.

Q Were the Canadian firms observing Canadian

law as regards, in regard to sales abroad?

A They would have to, because their subsidiaries, their affiliates would have been registered with the Ontario Securities Commission.

Q Do you know if there was any communication with any member of the Drexel group concerning the sale of the Canadian secondary securities abroad?

A By myself?

Q First, by yourself.

A No.

Q By anybody else?

A Not to my knowledge.

Q Were any of the Canadian firms who had offices abroad invited into the Drexel syndicate, or the Drexel group, to your knowledge?

A Not to my knowledge, and they were listed as part of the underwriting group in the publication. I assume they weren't.

Q Did the Drexel group sell securities in the IOS offering in Canada?

A Well, I wouldn't know that.

Q Was there any understanding that they wouldn't?

A Understanding with me, no.

Q With anybody else?

A No, not to my knowledge.

Q Was there any understanding that Crang would be, that the Crang group would be the sole group that could sell IOS securities in Canada?

A Well, yes, because we were the Canadian underwriter and cleared the issue in Canada, so we would be the only one permitted to distribute shares in Canada.

Q So that Drexel would be prohibited by Canadian law from selling shares in Canada?

A That's right, because they weren't an underwriter on that issue.

Q Now, Mr. Howe, I am going to show you some documents that were marked at Mr. Murphy's deposition, and I will ask you to look at these documents and tell me whether you have seen any of them at any occasion prior to today.

A If I have seen any of the documents?

Q Yes.

MR. SILVERMAN: For the record the documents--I am sorry, Mr. Howe--have been marked Murphy's deposition Exhibits 3-A, 3-B, 3-C, 3-D, 5-A, 5-B, 6-A, 6-B, 7-A, 7-B, 7-C, 8-A, 8-B, 9-A, 9-B.

MR. PHILLIPS: To make the record clear, would you indicate with respect to each document whether you have seen the document, and refer to it by the exhibit number it has thereon?

THE WITNESS: Okay.

A Exhibit 3-A I have never seen before.

Exhibit 3-B I have never seen before.

Exhibit 3-C I have never seen before.

Is it proper for me to ask where these memos came from?

Q I will be glad to tell you. They came from Shearman & Sterling's files, and they are Price Waterhouse, I believe they are all Price Waterhouse documents.

A And you wish me to go through each one individually?

To my knowledge, I have never seen anything from these people.

Q From Price Waterhouse?

A No.

Q I would just ask you to take a few more minutes to go through them, to make sure.

A 3-D I have never seen.

5-A I have never seen.

5-B I have never seen.

6-A I have never seen.

6-B I have never seen.

7-A I have never seen.

7-B I have never seen.

7-C I have never seen.

8-A I have never seen.

8-B I have never seen.

9-A I have never seen.

9-B I have never seen.

Q Were you aware during the course of your work on the IOS secondary, that the Drexel group had retained Price Waterhouse?

A I was aware they had retained auditors. I didn't know who they were.

Q Did you know the reason for their retaining, did anybody tell you the reason for their retaining auditors?

A No, it would only be an assumption on my part.

Q How did you learn that they had retained auditors?

MR. STRUVE: Mr. Silverman, you said twice that they had retained "auditors." I don't believe that there is any evidence in the record

to the effect that they retained auditors, as distinguished from accounting advisors; is that correct?

MR. SILVERMAN: I believe your statement, your characterization of the record is correct. It was an accounting advisor.

Q How did you learn that the Drexel group had retained accounting advisors?

A I am not too sure whether I learned it after the fact, after the underwriting itself. I just can't recall. I think it was after the underwriting.

Q Did you ever ask to see the reports that the accounting advisors had prepared?

A No.

Q Do you know if your attorneys, Mr. Zimmerman or Mr. Bennett, were aware of the function of the accounting advisors?

A To my knowledge, they weren't aware at all.

Q During the course of the IOS secondary offering, were you shown any correspondence with the SEC pertaining to IOS?

A Pertaining to IOS or pertaining to the IOS underwriting?

Q Well, first pertaining to IOS.

***

at the top, I am sure.

Q Did you see any letters from Shearman & Sterling to the SEC pertaining to the IOS underwriting in 1969?

A No. As a matter of fact, I didn't even know who Shearman & Sterling was.

Q Did your lawyers, Zimmerman & Winters, ever discuss with you in 1969, problems with the SEC pertaining to the IOS underwriting?

A I don't think so, up to the point, and I am still not sure I understand it fully--this business that happened two or three days before the underwriting. I am not sure I even understand it, because the position of the regulatory bodies in Canada, that it was a Canadian underwriting, had nothing to do with anything that may or may not be done by the SEC, outside the jurisdiction of the Canadian regulatory bodies.

Q Did you ever meet Mr. Stammer or Mr. Haft?

A Yes, I met Mr. Stammer once; I met Mr. Haft on several occasions.

Q When did you meet Mr. Stammer?

A I met him with Mr. Haft in Mr. Haft's office in New York in the first part of 1968, as I recall.

Q What was the purpose of that meeting?

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Q Do you know a Mr. Kingston in Toronto in connection with the IOS offering?

A Mr. Kingston? No, I am sorry.

Q Mr. Grest?

A No, the name doesn't--

Q What was the IOS blue book?

A As I recall, this was a book put together by Arthur Andersen, describing what IOS, Ltd. was.

And the only reason for the phrase "blue book" was what we referred to in Canada as the description of the company. In fact, it wasn't blue, as I recall.

Q Now, Mr. Murphy in his deposition testified on page 15, lines 19 and 20, he said "I talked once with Mr. Howe of Crang & Company in Canada."

Do you recall any conversation between yourself and Mr. Murphy in 1969?

A Well, as I previously stated, no, I didn't recall any conversation. I recall receiving information second-hand from either Bill Zimmerman or Gilbert Bennett of Zimmerman & Winters.

Q Was Zimmerman & Winters also the attorney for IOS in Canada--

A That's correct.

Q (continuing)-- to the best of your knowledge?

A That's correct.

Q I may be finished in a very few minutes.

Who printed the stock certificates?

A Canadian, to the best of my knowledge it was the Canadian Bank Note Company in Montreal.

Q Who is the printer, who printed the prospectus?

A The prospectus, the Canadian prospectus was done at Atwell Fleming, Toronto, Canada.

Q Is the Canadian Bank Note Company, did it also, to your knowledge, print the certificates in the other offerings?

A I don't have any knowledge of that.

Q Did you have a timetable prepared for the offering?

A What do you mean by a timetable?

Q An underwriter's timetable in which you listed various events that you hoped would occur in a particular period of time.

A We didn't have a formal timetable.

Q Did you have an informal one?

A Could I finish the question?

Q I am sorry.

A The reason for that is because you are dealing with eleven regulatory bodies, so your timetable is meaningless. So, because you are dealing with eleven regulatory bodies in clearing the prospectus--

Q Did you prepare such a timetable?

A In my head, yes.

Q But not in writing?

A No.

Q Were you asked by Mr. Cowett when you thought your registration would clear?

A Yes.

Q And what did you tell him?

A I told him we couldn't, we couldn't be definitive about it. I think I mentioned that under normal circumstances, it takes from three to four weeks to clear an issue in Canada.

Q Did it clear each of the provinces at the same time?

A No.

Q Was the registration submitted to each of the provinces at the same time?

A To my knowledge, yes.

Q Were you familiar with IOS' investment in Commonwealth United in 1969?

A No, I was not aware of that prior to the crisis.

Q Was payment made for the shares sold in the Canadian offering in U. S. dollars?

A I would have to refer to the underwriting agreement. The offering was made in Canadian dollars; I would assume that we would have closed in Canadian dollars, because the underwriter then would have had to change the funds from Canadian to American in order to close, and I don't think he would have let us close that way. I would assume, I would have to read the underwriting agreement, but I would assume it closed in Canadian dollars.

Q Did you have a closing memorandum? Did you prepare one?

A What is a closing memorandum? Our auditors went to the closing with a closing agenda that called for certain documents to be put on the table, yes, if that is what you mean.

Q You did have a closing agenda?

A Yes.

MR. SILVERMAN: Mr. Phillips, I call for the production of the closing agenda.

MR. PHILLIPS: I will consider it,

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citizens--

Q Did Mr. McCann reflect whether he has any knowledge of Americans purchasing in Canada, residing in Canada?

A No.

Q And your records would simply indicate that nobody resident in America purchased the Canadian securities, but they wouldn't indicate whether U. S. citizens residing in Canada purchased it?

A Our records would show the name, the address of the persons purchasing the shares.

I think I have got to elaborate on this. Our license as a broker in Ontario allows us to distribute to any resident of the province of Ontario, whatever his color, creed, etcetera, is. We had several discussions with the Ontario Securities Commission, because of the provision in the underwriting agreement that we were not to knowingly sell to a U. S. citizen, wherever resident. This was discussed with all the members of the backing group.

We endeavored to get our own people to ask the person, which was not quite legal, because I don't think you are supposed to ask them their religion or their nationality in Ontario. And all the--we did

everything possible to make sure that a U. S. citizen was not knowingly sold shares in the secondary.

But I can't state categorically that a U. S. citizen resident in the Province of Ontario or any other province didn't purchase.

Q How about in the after market, were their sales restricted in the after market?

A No, we have no control over that, whatsoever.

MR. SILVERMAN: I think that is all I have. Thank you.

Anybody else?

(Time noted, 12:15 p.m.)

Subscribed and sworn to before me this_____day of_____, 1973.

Received 1 copies of the within
Plaintiff Appellant Appellee's Appendix
this 13 day of Feb, 1975.

Sign Breed Abbott & Morgan
Breed Abbott & Morgan
For: Arthur Anderson & Co Esq(s).

Att'ys for Appellant Arthur Anderson & Co

Received 1 copies of the within
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Sign Richard D Harvey
Wilkie Farr & Gallagher
For: Esq(s).

Att'ys for Appellee J. R. Craig & Co.

Received 1 copies of the within
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Sign Hayes
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Att'ys for Appellant Bernard Cornfeld

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Sign Joan P. Middleton
Weksell Lipton Rosen & Katz
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Att'ys for Appellant I.O.S. Ltd